COCA-COLA EUROPACIFIC PARTNERS
Combined Q1 2021 trading update & investor event
Transcript
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PREPARED REMARKS

Sarah Willett
So welcome, everybody, and thank you for joining us today. We're all based in London, well, most of us are. And by that, I mean, myself, you all know me. Sol, you'll see a bit later on in the presentation. Damian is obviously here, CEO; Nik Jhangiani, our CFO; and later on, you'll get to meet Peter West for the first time from our API new business unit.

So a quick reminder of our forward-looking statements and cautionary statements, as you see here. I'll leave you to read those later. And then just by way of agenda, 4 areas to cover, as you see here, a couple of breaks along the way. So I'll break it up for you. So, there's not too much PowerPoint in one go.

And asking questions, there's 2 ways of doing that. We do have some live stream later on during the Q&A session. Those individuals know who they are. But any of you, if you want to ask a question on the chat function that was linked to the original registration, we'll cover as many of those at the end of the presentation as we can.

So without further ado, I will hand over to Damian to cover, first of all, Q1 for Europe. Damian.

Damian Gammell
Thank you, Sarah. Thank you, everybody, for joining us today. Very exciting day. We not only get to share with you our Q1 overview, but also we get to talk about Coca-Cola Europacific Partners, and look forward to sharing a lot more with you as we go through your morning and our afternoon.

So as you will have seen from our Q1 update, we continue to adapt to the backdrop of an easing pandemic, albeit with restrictions in Europe, moving at a slightly slower pace, except here in the U.K., where you can really feel the difference as the vaccine continues to roll out and restrictions start to lift. But we continue to have a strong position. And as we did in 2020, we continue to focus on our core brands.

We are winning with our customers, both through value creation, over 2x that of our nearest NARTD peer, and that's really led by brand Coke and brand Monster. We have achieved our pricing ambition in the first quarter, and that will flow through 2021. We are gaining share both in-store, in the physical environment and, most importantly, we're gaining share online as we continue to embrace the digital marketplace and truly become a leader, not just as a bottler, but as a key FMCG player in -- on the digital platform.

As I mentioned in my opening, COVID restrictions are impacting volumes, particularly in away from home. So a similar trend as we saw coming out of the end of 2020 with our away-from-home volumes down just over 30%. The good news, obviously, a lot of those consumers are consuming and shopping at home. So our at-home volumes, up just over 4%, and our revenue per case, down about 1.5%, which is predominantly driven by mix. As I mentioned, our pricing is in good shape.

April was the toughest month last year. And clearly, we see April this year bouncing back. But as I mentioned, that is really a factor of how quick markets are opening up. And clearly, as I mentioned earlier, we see GB leading the pack. We've seen an easing of restrictions coming through in France and Spain. But clearly, we've got a number of weeks to go before we get a full picture on when the full away-from-home universe will reopen.

As I mentioned, Coca-Cola Zero Sugar is doing fantastically well. I'll talk a little bit about that later. Monster's having another phenomenal start to the year, driven by innovation on multipacks. And we are now #1 in 3 markets: Spain, Portugal and Norway. And finally, as always, at CCEP, we are very focused on our growth being sustainable, and we've set some new rPET targets in Germany at 70%, ahead of our group target of 50%.

So as we navigate our way through to the end of the pandemic and the associated restrictions, we are very mindful that we're not there yet. So we will continue to prioritize the well-being of our people. They are our priority. They are our business. We learned a lot in 2020. We're clearly applying that across our business on an enterprise level, but fundamentally, our #1 priority is to make sure all of our people remain safe and well.

There is optimism. We are seeing improving trends as we go through the quarter, particularly in GB. We'll talk a little bit later about Australia and New Zealand, but clearly, you will have seen a very strong post-pandemic recovery, and we're applying those learnings back to Europe. And we are leveraged to return to a new normal.

So we are continuing to invest in our business for the long term, led by our sustainability green agenda and, most importantly, led by our digital agenda. And as Nik will touch on later, we continue to focus on cost efficiencies, resetting our cost base so we can move forward. So we will emerge stronger, particularly on our cost structure, than before.

So looking ahead, as we go through 2021, we are ready to reopen. We've got a fantastic frontline capability. Supporting our customers is a priority. Our field sales have been redeployed to the home market to make the best of the current situation, but they're ready to go for away from home. We've got our coolers in place. We've got our fountain in place. So we are ready for the reopening. And in many ways, we are reopening as we sit here today.

Coca-Cola Zero Sugar has done phenomenally well over a number of years, but I'm personally really excited about the new branding. I've been on a number of market visits. It's been great to get back into the market. And you really see that new look and feel stand out on shelves. So that's going down really well.

And beyond Coca-Cola Zero Sugar, we've got great innovations on our brands with What The Fanta?; new Monster variants, Ginger Mule and Ultra; on Topo Chico, clearly a brand positioned for the summer, but early indications are very encouraging. On top of that, we've got the Euro Football activation coming in in-store as we speak and online.

And as we've talked about before, we continue to look at opportunities for the Costa brand, rolling it out, as we speak, in Germany and in BeLux. So lots happening. Very exciting few months ahead of us as we head into the summer, and a great lineup of activity.

And now I'd like to hand back to Sarah.

Sarah Willett
Thank you, Damian. So we're going to move on to the main part of the presentation now. So the narrative today, you'll see as we go through the flow of the presentation, is centered firmly around further together, expressly chosen to reflect the future of the coming together of Coca-Cola European Partners and Coca-Cola Amatil, and of course, as you know by now, and as of officially yesterday, the creation of Coca-Cola Europacific Partners, our new name. So let's have a look together.

[Video] – webcast replay available at https://ir.cocacolaep.com/events-and-presentations/presentations/default.aspx

Sarah Willett
Excellent. So without further ado, let's get into the presentation. So over to you, Damian.

Damian Gammell
Thank you, Sarah. So you're going to see this slide a couple of times, and it's something that myself, the Board, Nik, all of our executive leadership team, in what was CCEP and Amatil, are truly excited about. So we truly believe that this deal will create significant value for our shareholders and a better, more sustainable future for all of our stakeholders.

In some ways, it's a deal on a page. I believe it's a great move at the right time and clearly creates a lot of value going forward for our shareholders and indeed for our customers. Why are we so excited about it? It's got a very tangible top line growth story. We know that's critically important as a Coca-Cola bottler, but that top line growth also flows through to a great bottom line growth story, around synergies and best practice sharing, more to come on that later.

It's got higher cash generation, equaling a higher dividend based on rapid deleveraging. And as you can all appreciate, it strengthens our relationship with the Coca-Cola Company and our other brand partners. So a very compelling transaction at the right time. So as we go through the next phase of our meeting, these are some of the key messages that we'd like to talk about today.
So we, at the outset, have a significantly bigger opportunity and a business with momentum. If I look at CCA on the page, a great business, an ESG leader like ourselves, 16 markets, clearly adds a lot of volume, and it is a well-invested business across its supply chain, with over 22 plants across 6 territories. Clearly, from a market perspective, it brings diversification, and I'll talk a little bit about that later. But a good business and, as I said, at the right time.

When you add it together, well, where do we get to as a new business? So clearly, we are now in nearly 30 markets, so bigger geographic footprint. We have extended our position as the #1 Coke bottler by revenue. And now we also bring in some enhanced capability, for example, in the areas of alcohol and coffee. So over 3 billion NARTD coffee volume coming in and, as I mentioned earlier, just under 30 markets.

So now to introduce API. Yes, another acronym in the Coca-Cola world, but it's a new name for our business unit. And it stands for Australia, Pacific and Indonesia. It will become our sixth business unit, so roughly 1/5 of the new combined entity. And it drives diversification across our portfolio. And here, you can see on the right-hand side of the slide, also from a geographic culture perspective, customer perspective and from a portfolio perspective. So very nicely balanced revenue stream across our 6 BUs as we look forward.

So what else has it done for our business? It's fundamentally doubled our consumer reach. So over 600 million consumers are now within the family at CCEP. It brings in new brands. It allows us to access broader need states, as I mentioned earlier, particularly alcohol, coffee and a lot of learning and experimentation on a wealth of pack types that we can share across all of our geographies.

All of our markets enjoy a great Zero Sugar platform, and that's clearly leading our growth. And most importantly, it brings together 2 businesses with a very strong sustainability profile, with carbon reduction at its core. And as all of you know, that is a metric that we've taken into the long-term incentive plan at CCEP and will be shared across all of our markets as we move forward.

So from a larger and faster-growing business, when we talked previously about CCEP, we were looking at a business of around EUR 100 billion of addressable value, now that's EUR 125 billion. We were looking at a business that we expected to grow from a category perspective around 2% to 3%. It's now much, much closer to about 3%, reflecting faster growth in the new markets that we've acquired.

And clearly, we've got some big opportunities in coffee. Excluding ready-to-drink, a good platform for growth and a category that's clearly exciting and one that we, with the Costa brand and combining with the brands that we have inherited from CCA, will be able to do a lot more in that space going forward.

So let's just look in a little bit more detail at how that NARTD category breaks down. And clearly, as I mentioned, it's EUR 125 billion. We anticipated to grow circa 3% going forward. So an incremental EUR 15 billion over the next few years to bring the market size to about EUR 140 billion by 2025. Within NARTD, we have a high share in the 20s. All categories are growing, including sparkling, where, clearly, we've got the largest share and a great margin structure.

But we're also seeing really attractive growth rates in energy, ready-to-drink coffee, where we have lower shares and, therefore, a bigger opportunity to grow and take share in those exciting categories. So quite a dynamic NARTD structure, strong shares, where we can generate margin, cash and profit and clearly an opportunity to grow in the segments where we have slightly lower market share.

If we look at it through another lens, and clearly, as a bottler, this is critically important for all of us, is to look at by channel. So as you all know, we are blessed with our business being more diverse than many other FMCG sectors. We've seen the impact of that through COVID, where a big part of our business and our profitability has been impacted in away from home. But as you look through COVID, you see what made this business great before COVID, and we'll continue to make it great into the future.

A very diverse channel structure, so a strong home market business that has really protected our P&L and our cash flow over the last 12 to 18 months. But clearly, a very dynamic and segmented away-from-home business, where we clearly have an unrivaled route-to-market, unrivaled coverage, a great frontline capability to allow us to tap into the profit and cash that exist in those channels, especially as they reopen coming out of the pandemic.

So that EUR 15 billion growth I referred to will be driven by some trends that we know are going to continue, particularly discounters and e-commerce, trends that we are leading in and embracing. And clearly, we know that away from home, as it reopens, some of the habits that consumers have built up through the pandemic will remain, such as home delivery, food aggregators like delivery will continue to do well. And we're seeing in markets that start to reopen, thankfully, a really strong return in the convenience segment. So overall, a very nice breakdown of where we can grow profitably into the future by channel.

If we just take a look at our Australia and Pacific and Indonesia business unit, and this is the last slide in this section, but I thought it was important just to look at how they performed through the pandemic. So as you can see, a much more resilient profile compared to Europe.

So particularly in Australia and New Zealand, where, obviously, I'm sure all of you are aware, their governments acted very quickly, locked in their borders. And by and large, while a lot of the consumers lived under new restrictions, they were nothing like we've experienced in Europe and other parts of the world.

So that meant those businesses had a big bounce back in Q1, particularly driven by Australia and New Zealand. And that's something that gives us strong momentum as we go into Q2 and for the rest of the year. So we are taking learnings across all of our business units. We're looking at what are some of the consumer dynamics coming out of Australia and New Zealand as the markets got back to more normal. We're seeing some slower traffic coming back to the cities. That's something we're reflecting on what that might mean for our business in Europe.

We've seen, in both Australia and New Zealand, that online grocery and food aggregators continue to win as people change their habits. And with that, we're seeing definitely a recovery in away from home, but particularly in the suburbs. And that's learning that we're applying already to our European reopening plan. And that certainly gives us confidence as we look forward to a strong recovery coming out of May into June and through the summer in Europe.

So as we wrap up the first section, I just thought I'd take a little bit of time just to reflect on what we're seeing. Clearly, it solidifies our position as the largest Coca-Cola bottler with a growth mindset. That's coming off a better and larger growth platform, with more diversity from a brand, channel and country perspective, and a business that has shown remarkable resilience and strong momentum as we've come into 2021.

So now to Section 2, and this is something I've touched on earlier and not a surprise to anybody, but clearly, we firmly believe that this transaction allows us to build on a very solid and successful relationship with the Coca-Cola Company. All of you, I'm sure, know this as well as I do. But it's really important, as we think about our growth trajectory, to just look back on what made CCEP strong when we created it 5 years ago, actually nearly this month. And that was to get really strong alignment with the Coca-Cola Company and what does success look like and what is the recipe for that success as we look out over the midterm.

So for me, that's about value creation for both our shareholders and for our customers. It's about a shared vision, what does winning look like in our markets. It's about using data and insights better than anybody else, and it's also doing it sustainably. So to make sure whatever we do will last well into the future, but is also doing the right thing for our environment at its heart. So very strong platform and alignment with the Coca-Cola Company, built on the success of CCEP, and something that we're clearly going to translate together into an even better future for our API business unit.

So further together, Sarah mentioned that at the beginning, but that's really how we're thinking about this transaction. We think it demonstrates that the combination will get the 2 businesses going further, faster together. Building on that, the best of both will allow us to drive growth and scale as one. There's lots of cross learnings in the system.

But honestly, as we've seen, again, going back to our European experience, it's a lot easier, particularly as the CEO and as a CFO to drive that change more effectively when you own the business. So clearly, the Coca-Cola bottling system has a great heritage with the Coke Company of sharing learnings. They get deployed, but they get deployed a lot quicker and with a lot more scale when you actually own the business. So now I'd like to touch on a few areas, as you see here.

First of all, back to our track record. We've gone through what was then the largest bottler integration within the Coke system. We made a commitment to step-change revenue that was declining pre-merger. And clearly, we wanted to grow our transactions ahead of volume as we moved into a new era at CCEP. It was an incredible story on the customer value creation. We were #8 pre-merger to swing into number 1 in generating real profitable revenue growth for our customers, and we've stayed there since the merger.

On the EPS side, double-digit CAGR, supported by those now infamous EUR 330 million of synergy delivery that myself and -- has spent a lot of time talking to you about as we went through the transaction. And our total shareholder return at 70% was twice that of the FTSE 100 and comfortably ahead of the STOXX 600. So while we recognize we've got slightly different challenges, while we recognize we're coming from a different place, I've certainly got the confidence in my leadership team and in our Board that we can translate a lot of what made CCEP a success into our bigger and wider family.

Well-being, clearly, and our people, as I mentioned, remain our priority. And Australia -- as one example, is the only FMCG business within Australia with mental health accreditation. We're also going to see benefits in learning and development, having a multi-country business, clearly, culturally a more diverse business and a business where all of our leaders can learn and grow.

And we've also acquired a business with great engagement. Australia's recent engagement score was at 70%, Indonesia was 81% and New Zealand, no surprise when you look at our business results, at 90%. And it has been the leading best employer for 5 years in a row in New Zealand. So a great business focused on now, our people, and certainly a lot that we can learn from each other.

I now want to move to something that we definitely accelerated from and benefited from over the last 18 months. A number of you will recall that when we created CCEP, we had a lot of catching up to do regarding our enterprise platform and sorting out a lot of legacy IT issues to allow us to become the world's most digitized bottler. That's our ambition. That investment was made just at the right time and allowed us to enter COVID with a digital workplace for all employees, allowing our business to adapt and to perform throughout the pandemic. And at the core, it is making it easier for our customers to do business with us.

It's a multiyear investment journey, and we can apply a lot of that investment to our new business unit. And it creates a great platform. So it goes across our entire business. It leverages digital at the core of our revenue growth and our customer service across our supply chain. And as I mentioned before, clearly, in our workplace, allowing our people to work more flexibly and to be more productive as we look forward.

And here are just some of the proof points of that investment. So one example is myccep.com. That is our digital platform for all of our customers to engage with us. It's now in its second generation across 9 markets. We continuously ask our customers for feedback. 80% of them already feel and makes it easier for them to do business with CCEP. And most importantly, 2/3 of them believe it's helping them grow their business. It's further advanced than what we're seeing at API, so we can lift and shift. But across the whole digital spectrum, whether it's from analytics to customer service, to workplace, we are now seeing the benefits of that multiyear investment that we commenced back in 2017.

We're also looking at new ways to learn, new ways to grow outside the core. And both ourselves and Amatil have successfully invested in CCEP ventures and Amatil X, both complementary and both bringing together lots of good seed capital investment ideas around areas that are critically important for our business. And then finally, as we look forward, we are always thinking about a more efficient and a more leaner business, and Nik will touch on this a little bit later also.

As I mentioned earlier, we have a true -- a proven track record. We delivered over EUR 330 million in synergies, as we guided, as part of the original transaction. We have an efficiency mindset, both within Europe, but also within API. And clearly, this transaction creates new opportunities across these 4 buckets that you're seeing on the screen.

In the next 3 years, our early view is EUR 60 million to EUR 80 million. That's coming across a number of working initiatives, whether it's standardization, on lightweighting our IT platforms, whether it's on the procurement demand side. We've already identified a number of common supplier base that clearly gives us an opportunity. And also, operationally, as we digitize our workplace and our plans and our supply chain, allowing us to share more best practice and reducing duplication.

So in aggregate, in-flight and the combination benefits generate an impressive EUR 350 million to EUR 395 million of opportunities, where we believe we can deliver that through being more efficient and a leaner business. And Nik will touch a bit more on that later.

So you've heard me talk about sustainability quite a bit already, and that's something that we're very proud of, and something that we believe is a big value add for our shareholders, for our customers, for our communities and for our employees. It's a very engaging topic for everybody at CCEP.

And we've got solid credentials. Both of us are MSCI leaders. Both of us have aligned on commitments that are a must. Net zero is our overarching goal. It's in our incentives. And clearly, we've got learnings, for example, under the deposit system in Australia, that we can apply as we look at more deposit systems coming to our businesses across Europe.

So just to wrap up, stronger relationship with The Coca-Cola Company built on that partnership, a clear platform for further together as we look forward, to learning from each other and growing and taking the momentum that's in both businesses, proven integration experience, bigger scale, 600 million consumers, big number, very, very exciting, shared learnings, as I mentioned about. And as I close before we move to the break, a strong shared focus and belief in sustainability as a way to create value for everybody who's part of our business.

So I'd now invite all of you to take a short break, and we will be back in 5 minutes with the next section. Thank you.

[Break & Video] – webcast replay available at https://ir.cocacolaep.com/events-and-presentations/presentations/default.aspx

Sarah Willett
Great. So welcome back, and hope you enjoyed the entertainment. And now I obviously have to say this at some point, we're going to move to Section 4 now. So back to Damian briefly before heading down under. Damian?

Damian Gammell
Thank you, Sarah. It took a while for the down under to get in, but we made it eventually.

Sarah Willett
It did.

Damian Gammell
So thank you. I hope you enjoyed your short break. We'll have another one coming up later.

So what I wanted to do now was really to look at our new business unit and look at how we can take Europe's proven model and apply, and also make sure that Europe gets stronger on the back of this deal. So I certainly see it as two objectives. This deal really creates value when it makes Europe stronger. And clearly, this deal creates value on the back of the modeling that Nik is going to share with you a little bit later.

So as we look at the 3 segments within our new business unit, it's supported by long-term macros, all of which are ahead of Europe, which you can see on top of the slide. So driven by population growth, stronger GDP, clearly, Indonesia is a standout as an emerging market. We're going to talk a little bit more about the work that we see -- we need to do in Indonesia to create sustainable growth and value for our shareholders.

But obviously, all the markets' coming from a very strong position in terms of, particularly Australia and the Pacific, and in, honestly, Indonesia, a fantastic transformation opportunity, which we will work together with the Coca-Cola Company to unlock. Critically, this business unit is led by a very experienced management team. And before I hand over to Peter, I'd like to introduce the local team.

As you can see here, a lot of great experience, and there's full detailed bios in the appendix. Peter will join the executive leadership team at CCEP reporting to me. Chris and the New Zealand business is a standout within the Coca-Cola Bottling family. I've seen Chris on a number of occasions present globally in the Candler Cup that Coca-Cola Company competition for bottlers about the work that he's led and his team has led in New Zealand. And Jorge is new. He brings a wealth of emerging market experience, most recently within the Coca-Cola business in Mexico, which I'm sure all of you are very familiar with, and brings a lot of applicable learning to that great Indonesian opportunity I spoke about earlier.

But clearly, it's about the broader CCEP team. And we have plenty of experience across all our markets, including emerging markets: Turkey, Nigeria, Myanmar, India and Pakistan, Malaysia, to name a few. So with our BU leadership team, with the combination of the wider CCEP team, we're in a great position to unlock the value that we know we can within our API business unit.

I'd now like to go down under and into the future, where Peter sits, and hand over to Peter to talk more about these new and exciting markets for all of us at CCEP.

Over to you, Peter.

Peter West
Well, it's great to be joining you from Sydney, and thank you for the introduction, Damian. From the team here at Amatil, we're delighted now to be a part of the CCEP team and the new possibilities into the future. The reaction internally has been really overwhelming. We come from a rich 117-year history, 50 years on the Australian Stock Exchange.

And our teams are incredibly enthusiastic about the future. There's no looking backwards, but very much forward to the sense of possibility. We know that we can leverage the capabilities that sit within CCEP to win within our marketplaces. And we also know the focus around great people, great beverages, great service done sustainably really resonates with our team, not only in its simplicity, but also in its inspiration.

Now as a member of the group leadership team here at Amatil, I can tell you that we have been on a journey, a journey for us from markets being independent in the way they operate to more interdependent. And we had clear feedback from our brand partners that they felt that we were too inconsistent with our capabilities, and there wasn't a common way of doing business as Amatil. So for us, this integration is about that possibility. It's about the escalation of our performance and leveraging best-in-class capabilities of the system. And that's clearly why we're excited by the potential.

Now for me, I would say this timing isn't just good timing, but I think it's also the right timing. I joined here as the Managing Director for the Australian business in 2018, and we got good momentum back in the business in 2019. We've recovered or recovering from COVID. And I think that now this combination of the momentum that we have in our business and the capabilities for the future, it really is the right timing. So together with Damian, Nik and my peers, we truly believe that we can go further together.

In providing an overview of the API region, I'd like to start with the best, and that's talking about the Pacific and our New Zealand business, in particular. We are incredibly proud of our New Zealand business and its performance over many years. And we also think it acts as a powerful proof point to what is possible here in Australia.

Our New Zealand business has driven a vibrant NARTD category. They're performance in volume growth, rate growth, increasing in new outlets and improvement in all of the executional elements has driven a very vibrant category. And we also enjoy an incredibly strong portfolio.

We have brand Coke, it is 35% of our volume within the market, but it's incredibly balanced in its strength. And you can see the power of flavors, mixes and energy accounting for nearly a third. We also celebrate that our business in New Zealand has been voted for 5 years in a row, New Zealand's Top Employer of Choice. So the question posed to our New Zealand team, is it because of the clarity of your strategy for that engagement or is it because of the success that you enjoy in the market? And the answer is always, it's both. It's the combination and the magic of what we do.

Our New Zealand business has been voted amongst the leading TCCC bottlers in the world over many years. And all of the financial metrics, the market share performance, it really sits up there in the top tier of performance. Now the opportunity for our New Zealand team is to leverage the expertise that sits in Europe to accelerate performance. And we're now the Kiwi pride. When I they look at things like the success of small packs in Belgium, will take that business to another level.

Now for me, I joined in 2018, and the key question at the time was, why has the

New Zealand business done so well relative to the performance in Australia. And that's what I really wanted to make sure that I understood. So I understood the opportunity. And in my first visit to New Zealand, what I discovered was, back in 2014, we were in very similar spot. Some volume pressure, some margin decline and the choices that we made. And my discovery at the time was in 2014, the New Zealand business went right and the Australian business went left. And the key differences between the 2 markets were as follows: The first was 150% confidence in core sparkling in New Zealand. They really believed where they could take the core business to maintain relevance and growth. And in Australia, we were chasing emerging categories or niche categories that we believe would be growth and the mass don't work for you.

They also I believed in New Zealand in the power of small stores, to have a very balanced portfolio for the long term, and it's a gift that has kept giving year-after-year with growth in store numbers. And at the same time, from an Australia perspective, we declined our investment in small stores and had the resulting impact. That allowed New Zealand to better leverage and manage their price because of the balance of their customer base. And because of their belief in the core, they were able to execute unbelievably within the marketplace because of their strength and their power. And then it becomes a loop where that growth mindset captures where anything is possible, and growth is assumed it will happen every year through all of the levers of performance.

So for me, that gave me great optimism about the potential for the Australian business. So I call that a segue into the opportunity here in Australia, which is not only to leverage the success of New Zealand, but now the expertise that sits within our European business.

The fundamentals for the NARTD category in Australia are strong. We expect the market to continue to grow around 3% per annum. And as we look at our forward projections, we have confidence because we have navigated the container deposit scheme implementation by state. And now more than 75% of our volume is already implemented with only Victoria and Tasmania to go in 2023. And then we've also seen the still water category mature. It became a large part of the market, and we're seeing really growth and momentum back into core sparkling driven by the performance of No Sugar.

We enjoyed a very strong market leadership position, and that is powered by the Coca-Cola brand. You can see that it nearly accounts for half of our volume. And returning it to growth was our #1 area of focus. So we celebrated its return to growth in 2019. Despite COVID, we still grew in 2020 and we've had a very strong start again on the Coca-Cola brand, driven by the performance of Coca-Cola No Sugar.

Our Australian business also has a very strong alcohol business, driven by the partnership in spirits and RTD with Beam Suntory. In Australia, we have a liquor license that focuses the sale of alcohol, and it's sold through on-premise outlets, where up to 90% of what is sold is alcohol, and then off-premise outlets that are made up of hotels, clubs and restaurants and cafe that can be anywhere from 25% to 95% of sales being alcohol. We strongly believe in the potential of the Australian business and it being the largest profit pool in our region. And we entered this new ownership with very strong momentum on the business.

We halted a 6-year period of decline in 2019 before COVID struck. And then we've bounced back from the COVID impact. I double down in the field, in our Feet on the Street investment for small stores, the in-sourcing of grocery merchandising, the improvements in supply chain through investment and improvement, and our Fighting Fit program has laid a very strong foundation for the future. But we recognize that it's a journey. And we recognize there's more to do. There remains a clear opportunity to adjust and sharpen the complexity of our portfolio, to adjust the over reliance that we have on can promotions and to see the investment that we have from Feet on the Street. We passionately believe that the expertise that sits within that European capability will accelerate our performance.

So to put it all together succinctly, through reorientating the portfolio, winning with customers and building on our capabilities and this area of capabilities is where we think that we can really accelerate our performance. As we review our portfolio at hand, we review market attractiveness, that is that we look at our category size, we look at future growth and we look at profitability against our position. And the opportunity is very evident by focusing on the core and the opportunities at hand on Coca-Cola No Sugar, the core Coca-Cola brand, flavors and energy. And as we see a consistency in market dynamics in Europe, we know that there's a lot to share and for us, a lot to learn.

Now for us, our own brands that we own in flavors with the Coke's brand and Deep Spring and in Water with Mount Franklin, we know that, that adds a degree of complexity to how we manage the business. In our partnership with TCCC, our speed of decision-making and then ultimately how we bring a unified vision of a category to our customers.

Now for me, personally, in my background, I've managed billion-dollar brands, billion-dollar global brands. In our business, we don't consider ourselves to be experts in marketing. And our focus needs to be the capabilities to be a world-class bottler. So we know the longer-term ownership of our trademarks will need to be resolved.

We've also developed a repeatable model in spirits and RTD with the Jim

Beam brand, Canadian Club, Makers Mark and the House of Suntory Collection. We also know that in our emerging businesses that there's an opportunity to sharpen our focus with Grinders Coffee with our Beer & Cider portfolio and also our Neverfail water business.

The #1 area of focus for us and acceleration of performance is Coca-Cola No Sugar. It is the hot item within the marketplace. And we know, through increased penetration, that we can unlock growth. Now we take a lot of confidence because we've really got growth momentum on this area of the business. And we've done it through a very strong communication with our partnership with TCCC and also what we've done on segmented execution, and that is understanding the postcodes that we really have to win where the demand is at its highest.

Our biggest opportunity is to step change our performance in flavors, and that's been the area that we've been disappointed in our performance. It's also the area that is winning in Europe. And in Fanta, in particular, and in the whole Diet segment. So therefore, for us on Flavors, this is an intense review to address the performance in Flavors. In partnership with the TCCC on our No Sugar expansion in this area, ensuring greater distinction between our own Coke's brand and TCCC and then the longer-term ownership of that business, an increased focus on smaller packs and smaller can size or pack size, which is where all the growth is coming from.

In alcohol, we have a proven model of success. We're seeing a nice move to premiumization. We're doing a very good job at the execution and the partnership with Beam Suntory, and we know that we have an opportunity to simplify our approach when it comes to both beer and our cider business.

We place a very strong focus on the advantage survey to understand our performance against the top 25 suppliers in the market. And we know that our customers hold the top 25 suppliers to a much higher standard than what they would hold the rest of the industry.

Now we rank #5. It's good. But we don't aspire to be #5. Clearly, we aspire for much better. And when we see the performance in Europe, we can clearly see the benchmark, but we also get to see some of the core capabilities that sit behind that #1 rating in Advantage.

So for us, we've set ourselves a really clear agenda, that through this integration, we want our customers to experience the benefit and to notice the improvement that they have from our business. And for us and our winning customers, they're doing some things that -- where we've got great capability now as an organization. Improved joint business planning so that you're planning for the long term, and then the explosion of e-commerce, where we recognize that CCEP in Europe is further advanced than where we sit here today.

We are passionately aligned with Europe on the opportunity of segmentation. We believe that the companies that are either precise or segmented will always beat the companies that work on the averages, and we see it day in, day out in the results that we achieve. Our first area of capability focus is to scale and reapply all of the investment that's been made in world-class key account management. Our clear opportunity in the Advantage survey is that we are coming into brand focus and not sitting back at a category level to really understand the customers' business, more about their beverage opportunity and beverage growth, where their profit pools set and how we support that over many years and also how we manage the specific execution for that customer.

So clearly, this is something that we believe will propel us forward. And we also know that RGM is a capability that we can tighten. Whilst we have made fundamental improvements over recent years, we know from a maturity perspective, there's more still to be done. Now for us, having a price premium over our competitor, a very consolidated trade, we know that smart RGM is going to be the key for us.

Whether it's the success of Belgium, whether it's small packs or Sparkling in retail in Germany, we think these opportunities can be applied because of all the work that we've done on profit to service small stores and the efficiency gains that we're seeing in our route to market for small stores. We also understand the opportunity for clever adjacencies that we're seeing from markets like GB that we can apply here.

We believe we have lots of opportunities for success. We're very confident on our focus, but we believe we can accelerate performance through the expertise and knowledge from our European team. Our focus now is on sequencing the work. We know that there's some great ideas, but we want to make sure we prioritize the initiatives that will make the biggest difference to our performance and capability and then being very clear on those Wave 2 initiatives.

Our Indonesian business represents 20% of the revenue of our region and 11% of the EBIT. Despite the challenges of COVID, Indonesia represents an exciting opportunity for CCEP. With a population of over $270 million, a young and vibrant mix to that relative to Western countries, and a growing middle class, there's no doubt that Indonesia adds an exciting mix and long-term value creation play for CCEP.

The NARTD market in Indonesia is driven by Water, some nearly 60% of the market is driven by Water and half of that in value. And whilst Tea is the second biggest area, representing about 18% of the volume and 23% of the value.

The dominance of the Water category reflects the demand for safe and clean drinking water, and the widespread availability of all of the key leading brands. Likewise, the success in Tea is driven by cups and affordable packs. Our strength in Indonesia is driven by Sprite and Fanta, supported by Minute Maid and the Coca-Cola brand.

With the fourth most populous country in the world, very low caps both at NARTD level and Sparkling, Indonesia represents a massive long-term opportunity. The growing middle class and favorable demographics will support a vibrant category and evolution to more value-added beverages over time.

Our Indonesian business has set a strong foundation, which was a return to growth pre-COVID, achieving much lower pricing in the market and a breakeven position, and a very talented and highly engaged workforce who are incredibly passionate about our business but have enjoyed the benefit of the capability, focus and investment over the last number of years.

Indonesia undoubtedly is one of the most important opportunities for TCCC globally, and we see a clear pathway to the long-term transformation opportunity. Our core is sparkling. It's where we have differentiation, distinctiveness and a right to win. And this has to be supported by the appropriate OBPPC to drive consumer relevance and, of course, the capabilities that are required to support in-market success.

You saw this chart previously for Australia where it plots the market attractiveness of the various categories on the vertical and our own position. Clearly, what jumps out on the page is the strength of the Sprite and Fanta brands, and both brands have enjoyed very strong awareness, strong brand edge and, importantly, volume momentum from 2010 to when COVID struck.

Brand Coke, although smaller, occupies a similar position and opportunity. Our breadth of portfolio helps us build presence with our customers. It helps amortize our costs, but the key for us is in the focus and prioritize of the double-down categories where we believe we have the greatest right to win.

So building our sparkling portfolio is the clear opportunity for the system. Now our confidence here is driven by the success that we enjoy in Ramadan, which represents 30% of our sparkling sales, a higher percentage of our profitability and also an improvement in our NARTD market share. Therefore, we see the opportunity, which is to make Ramadan bigger, to build the shoulders of Ramadan, and then over time to convert more of that penetration to the year-round performance of the sparkling category. And we know to do this requires consistency.

Consistency in investment and consistency in positioning, messaging and communication. In order to drive penetration of core sparkling, designing the appropriate OBPPC is critical. Today, about 60% of all the volume in NARTD is sold in packs below 4,000 rupiah. Our simple aim for our retailers is velocity. Our small storekeepers there are experts in supporting velocity because of the focus on cash and turnover. And then our opportunity, therefore, is threefold.

Firstly, we need to make sure we don't have any underperforming SKUs that create a negative shadow or perception on our portfolio. And we have to sharpen the focus on the core SKUs that really make a difference to our performance and the supply chain efficiencies. And then we know it's also about designing appropriate pack and price to recruit and retain new drinkers for which we've made good progress over the last few years.

With market growth, the ongoing task is always about evolving the route-to-market model with the appropriate balance between direct for high-velocity customers and wholesale for the remainder. The model today brings focus, but on the downside, obviously, cost. But ultimately, this focus, the price points in the market that we have and the route-to-market model needs to elegantly form a picture to unlock our future potential. This will not be designed in boardrooms. It won't be designed on PowerPoint. But it will be in the solid in-market tests and reapplying over different regions of the country to unlock this potential.

Now to close, I hope you get a sense now from this presentation of the API region. I hope you get a sense of the next journey that we see taking this business. Our teams are incredibly excited. They're embracing the learning and the opportunity, and we have no doubt that we can go further together.

Now back to you, Damian.

Damian Gammell
Thank you, Peter. And just before we get to the break, I just wanted to follow up on Peter's great overview of what is truly an exciting business unit for all of us at CCEP. We got a lot of questions as we announced the deal at the tail end of last year on the capabilities that CCEP can bring to an emerging market. And obviously, as a management team and with our Board, we have spent a lot of time as we did our due diligence around looking at where we can bring capabilities that will unlock growth and value within emerging markets. I touched on it earlier in terms of the experience in our leadership teams. But also, we've looked at some of the capabilities that we can lift and reapply it to unlock value. For example, our digital capability whether that's on the segmentation Peter talked about, advanced analytics, unlock growth, building on some of the work we've seen from Latin America, looking at our portal to step change not only our customer experience, but our coverage in

emerging markets. And obviously, a digital platform to allow our people to engage, learn and share.

We've also seen opportunities in some of the fundamentals of our business around RGM, packaging, whether that's in refillables a small pack capability. Clearly, route to market is a big opportunity, both from a cost perspective, but also from an impact perspective. And at CCEP, whether it's from shared services right across all of our functions, we believe we can bring scale and efficiency to our new markets. Beyond that and beyond our strong management experience, we've also seen Manolo Arroyo join our Board as a new NED representing the Coca-Cola Company. Manolo, who I know really well, is the Chief Marketing Officer for KO. He's the ex-President of the KO Asia Pacific business and has held numerous senior roles at J&J in the Asia Pacific region. So Manolo clearly brings another level of understanding and expertise in this truly exciting part of the world.

So just to wrap up, clearly, long-term attractive macros coming from demographics and GDP, a clear improvement in our Australian business led by Peter. He's done a fantastic job over the last couple of years. New Zealand, a benchmark bottler, raises the bar particularly for markets like us, like Spain and Belgium, who were at the top of our business when you looked at margin or profitability. Certainly, we see a new leader in New Zealand. And clearly, as Peter spent a lot of time on and, quite rightly, the transformational opportunity in Indonesia and being a #2 player in a very large and attractive market, but clearly with some challenges that we need to deal with as a business to unlock that growth and that potential. More to come on that as we continue our journey.

So now I'd like to Invite you to take another 5-minute break. We're being very generous for breaks today, thanks to Sarah. And we'll see you back in 5. Thank you.

[Break & Video] – webcast replay available at https://ir.cocacolaep.com/events-and-presentations/presentations/default.aspx

Sarah Willett
So welcome back. And just a quick reminder as we near the Q&A section of the presentation, that if you wanted to ask any off-line questions, you can do so on the question box on the right hand of the live stream. So that was the function linked to the original registration. So for our last section of the main presentation, now over to Nik.

Nik Jhangiani
Great. And good morning and good afternoon to all of you joining us today. It is terrific to be here with all of you. And a big, big thank you to each of you for

all those online and offline questions that are going to be coming right after this. So as you can see, I've been sitting here on the sidelines waiting very patiently for my turn to talk about this transaction and this deal, which clearly creates a lot of value for our shareholders and a better, more sustainable future for all our stakeholders, always underpinned by our focus around great people, great service and great beverages.

So with that, what I'd like to do is spend the next 10 minutes or so walking through some of the key financial metrics and how we've thought about this transaction, both from a financing perspective, but how we think about it going forward in terms of the value that it will create for all our stakeholders.

So quickly to recap on the final transaction. As you all are aware, we ended up paying an effective price of $12.53, which included an interim dividend of $0.18, which was paid out at the end of April. The headline price for the public shareholders was $13.50, and The Coca-Cola Company had a dual price paid to them, one for the 10.8% stake, which was based on a discount to a VWAP and then a closing price on the day that we announced the transaction for the remaining 20% stake. If you recall, we have some optionality in terms of how we might finance the transaction. After careful deliberation, we were very pleased to be able to move ahead and acquire at close 100% of the shares outstanding, which included that 20% stake from The Coca-Cola Company.

So when you look at the effective price, the EBITDA multiple that we paid was circa 11x and very similar to when we drove the merger of Coca-Cola Enterprises, Coca-Cola Iberian Partners and Coca-Cola Germany back in 2016. So clearly, a very exciting deal. And hopefully, you've got some sense of that from Damian so far, I think, from Peter in terms of the attractiveness and the momentum in the market, but quite honestly, the opportunity that's still out there for us to be able to capture in the years to come. So this is clearly a transaction that will create significant value for our shareholders over the medium term.

An important measure that we used when we looked at this transaction was around our returns on invested capital. As you know, that is something that we've been focused in on and is an important part of our LTIP measures today. So when we look at this transaction, we expect our ROIC to cover WACC in circa 5 years. Very compelling given the potential of the combined business, both from a revenue growth perspective going forward, plus the opportunities that Damian referenced to that I'll spend a few minutes talking about in a moment around the reassessing of the cost bases across both businesses and, of course, our combination synergy benefits that will come across from this deal as well.

The transaction will be significantly EPS accretive within the first year of ownership. And you will see that as I talk about how we effectively were able to go out and fund that transaction in the marketplace. API, as we said, will now be our sixth business unit, which in 2020 would have accounted for roughly about 1/5 of our revenue. Now very importantly, going forward, we will disclose revenue by geography as we do today for the other geographies. So on a quarterly basis, you will see the revenue for the 6 geographies. As an exception, given where we were at the start of the transaction, what you'll have seen for full year '19 and '20, we did provide a breakdown of Australia, Pacific and the Islands and Indonesia and Papua New Guinea this time around. But then you will be seeing that, on a going-forward basis at the half year point, like we do very much with NEBU today. And then clearly, you will see 2 segments, Europe and API, at the half and the full year where you'll see the full financials of that as well.

We have provided pro forma full year 2019 financials for you, and these are provided in the news release. And Sarah, trying to be the very good IR person, has made sure that we provided that in Excel to you guys. You can use that with ease for your models. So thank you, Sarah.

So if we go really around the theme of brands further together and the fact that we want to drive a more efficient, leaner business. As Damian said earlier, we have a proven synergy track record. And if you recall, when we formed CCEP, it was very much around what were ongoing initiatives in market and then what were truly combination and synergy benefits. And if you recall at that time, they were roughly 50-50 in terms of the in-market initiatives that were ongoing, as well as what was the combination piece.

Now clearly, we don't have some of the geographic proximity, but are the opportunities still out there from a synergy perspective? Absolutely. I'll come back and talk about that in a moment. I think very importantly, we've got to look at the fact that both companies have looked at cost rebasings versus pre-pandemic. Plus obviously, efficiency programs that have been announced on both sides. But if you really step back in the fact that we've been looking at this for the better part of 2-plus years, I think some of the work that we've done on both sides has complemented each other.

So as a reminder, if you look at Europe, when we went into the pandemic, we talked about strong mitigation plans and we delivered against those in 2020, delivering about a EUR 260 million savings. We did say in early 2021, with what we see as being permanent savings as well as the start of our accelerated competitiveness program, we would deliver about EUR 150 million at minimum during 2021, and that would stay in our base versus the '19 cost base numbers. And then you will actually have the runoff of those benefits coming in the next 2 or 3 years for another EUR 50 million to EUR 75 million.

On the API side, they went through a very similar exercise. And at that stage, they looked at the AUD 140 million that they had driven from a mitigation perspective and indicated that about AUD 60 million of that would be recurring against their 2019 base. They also announced an efficiency savings programme and named that the Fighting Fit initiative which will deliver about AUD 85 million over the next few years. So when you pull that together you are talking about AUD 145 million and about EUR 90 million.

Add to that then the synergy benefits that we are unlocking as we think about areas such as the listing structures and their governance requirements which will no longer need given they are now a part of new CCEP, Coca-Cola Europacific Partners. Clearly procurement opportunities as we think about leveraging the size and scale, common supplier bases both across direct and indirect materials, supply chain efficiencies. Clearly there will be some great learnings on both sides and using some of the playbook that we did over the last three years we will be looking not just taking those learnings from API to Europe, but clearly taking some of those proven capabilities and learnings from Europe over to API. And then finally, obviously, group functions will now be just one head of group functions across each of the functional areas going forward. So in total, we believe a EUR 60 million to EUR 80 million range is something that we can comfortably deliver. And then when you pull that all together in terms of the in-flight and the combination benefits, you're talking about EUR 350 million to just shy of EUR 400 million from a cost rebase perspective, as well as the synergy capture perspective.
Now as you know, we just acquired Amatil, so it's obviously early days. So a large proportion of these savings will come and be delivered in 2022 and beyond over and above what we've obviously committed to for the '21 financial year.

Just to be clear, we're not going to be providing a reconciliation of these going forward on a quarterly basis. These are very much built into our numbers, and actually support and underpin our ability to deliver against our mid-term objectives going forward. And obviously, we will keep updating you on progress more generally from a qualitative perspective to ensure that we're very much on track and meeting the milestones that we have built for ourselves internally.

So looking now at the transaction financing. I think we went into this deal with a very strong balance sheet. We've ended the pandemic with a very strong balance sheet. And hopefully, you can recall, I think we did a lot of things to shore up our balance sheet and to make sure that we tested our RCF facilities, our ability to access cash and we actually did some very successful bond raises right in the midst of the pandemic as well.

We're very proud that in Europe, for 2020, we delivered close to EUR 1 billion, which has essentially been our flow for free cash flow delivery. It was EUR 925 million, despite the fact that we obviously had a significant impact to the business and the profitability.

So at the time of end 2020, we had leverage of 3.2x on a stand-alone basis. And if you actually look at the pro forma leverage, at full year 2020, that was circa 2.8x, reflecting Amatil's lower leverage at that point. We do remain fully committed to our strong investment-grade rating with Moody's and Fitch, and both actually issued right at the point that we announced the finalization of the transaction, their ratings and both with a stable outlook.

We then went out, obviously, while we had a backstop with a bridge-to-bond facility. We wanted to be able to go out at the right time and quickly after the deal was finalized with the share owner vote to go out and secure the deal funding. We decided to access both the euro and the dollar markets, but we want to make sure we swap back euro -- our dollar borrowings back into euros.

So on the euro side, we were able to go out and do a long fall, along 8-, 12- and a 20-year offering. And on the U.S. side, we did a 2, a 3 and a long 5. Both books were over 3x oversubscribed when we decided to close and actually tighten pricing. And all in with the swaps of the dollar back to euros, we were able to close in at those borrowings of circa EUR 5 billion equivalent at an average rate of circa 40 basis points with an average maturity of circa 8.5 years.

What that does is it brings down our overall cost of debt down to about 1.3% on the total portfolio of outstanding debt that we have as Coca-Cola Europacific Partners.

Leverage will peak at 5x approximately upon closing the deal, which obviously happened yesterday. All cash went through and shares were acquired successfully. And you can see here that we've got a very nice debt maturity profile that's spread out. And one of the principles that we continue to follow was to make sure in any given year, we had a maturity that was at or less than what our free cash flow generation would be that in the event that we had a challenge in terms of being able to go out and refinance that, we had the free cash flow to be able to repay that debt. And again, just as a reminder for all of you, we have no covenants on any of the total debt that is outstanding as we speak today.

Clearly, we've had a very, very strong focus on deleveraging. And I hope, again, we've been able to demonstrate that with the track record of the last 3.5 to 4 years. And strong focus on cash and working capital improvements, in particular, that I think we're very proud of. We've delivered cumulatively since the formation of Coca-Cola European Partners about EUR 825 million of working capital benefits. We will do that again. We're committed to returning to our target range within 3 years of this transaction.

So clearly, we're going to be using the higher combined cash flows of the 2 businesses and a strong, strong focus on CapEx and working capital improvements. Our full year pro forma combined full year free cash flow was about EUR 1.25 billion. We will very effectively go out and start applying the working capital toolkit to API. But I think there's more to go after in Europe as well, and they'll probably bring learnings that we can bring over from API to make sure that we use one combined new playbook going forward as we look at working capital benefits.

These will be supported by aligned incentives again. If you remember, that's a very important part of what I think drives the right behavior. But it will be driven by strong cross-functional collaboration, solid routines to track and drive the focus on trade payables, receivables and inventory days outstanding.

Damian and I had a tremendous drumbeat where we actually sat down in growth, what we call project bond to be able to deliver those EUR 825 million of benefits with Coca-Cola European Partners. And with Coca-Cola Europacific Partners, we're going to have that same relentless drumbeat to be able to drive significant improvements and get back towards our deleveraging focus and get back to our target range within 3 years of the transaction.

Our capital allocation framework. I think you all are familiar with it. And I think it's the strict financial discipline that we've had, will remain very much in terms of how we think about capital allocation going forward as well. So at the heart of it is it's all about driving strong free cash flow, and at the same time, maintaining that strong balance sheet, which hopefully I've given you evidence of that we've had in the past. And with that strong cash flow, we will be able to deleverage. These will remain our overarching principles.
Clearly, we would have a larger earnings base, so greater ability to invest to support future growth, and we will make sure that we're supporting that future growth that Peter outlined, particularly for API, but there's a strong focus on recovery for Europe as well.

We will be focused again around organic CapEx of around 5% of NSR, excluding leases. And with that, we will aim to deliver free cash flow of at least EUR 1.25 billion from the larger combined entity going forward.

From this, we will offer a competitive dividend payout ratio at around 50%. So no change there. But obviously, this is the 50% of a higher earnings base. And any excess cash flows post our deleveraging focus around getting towards our target levels as before will be applied towards value-accretive M&A and/or additional returns to shareholders.

Just as a reminder, since we formed CCEP, Coca-Cola European Partners, we've returned about EUR 3.8 billion of cash to shareholders. That's been about EUR 2.2 billion of dividends and about EUR 1.6 billion of share buybacks. So again, we have a proven track record. And I think we will clearly focus around the same financial discipline, the same financial metrics to ensure that our capital allocation principles stay very much intact.

Integration. We've been planning for this now since we announced the transaction. And while we took some breathers at times where we had some heated discussions and debates until we finally got to an aligned price that I outlined for you on the transaction, but we never really lost that rhythm. So we were ready to hit the ground running day 1, which was officially yesterday. And it was really heartening to see that literally within 2 hours that we normally have from the days opening, our daily sales report -- our first daily sales report was out that showed the sixth business unit, API added in there. So really, the teams have done a phenomenal job of getting us ready for what was day 1 yesterday.

We have the right resources to lead the integration, very much the same as we had last time, and we bring in some new capabilities from the API side as well. So really for us, we see no risk of distraction to the day-to-day operations. And that, I think, is critically important. Because our principle, that Damian and I talked about with the Board and committed to the Board, but very importantly, make sure that the business didn't lose focus, was we do not want to miss a case. And hopefully, that was evident by what you've seen in our Q1 numbers, both for the European business, but all credit also to our new colleagues on the API side with the strong performance that they've had, despite the fact that this was really a transformative deal happening from -- for them on that side of the world.

We've got a key team in place already, as Damian mentioned earlier. And we're working on joint plans with the Coca-Cola Company. And obviously, those are critically important to unlocking the combined value that we see for Coca-Cola Europacific Partners and the Coca-Cola Company going forward over the next 3 to 5 years.

Our operating model is very much intact and has been discussed at length and debated. We will make some changes to routines but I think that very much stays intact, and we're happy and proud. And I think you heard Peter talk about the momentum and the excitement that, that is bringing over to the API region as well.
We've got some exciting plans for the rest of the year. Damian is going to touch upon those in a few moments towards the close. But we will continue to deliver on our business objectives, building on API's strong start to the year that they've had for the first 4 months, but very much driving the European recovery at the same time as well.

So I think we all feel really good about the fact that we've hit the ground running. Damian and I are frothing at the mark to be able to get on to a flight and get out to that part of the world. And we're just eagerly awaiting both the rules here in Europe but also over in Australia and Pacific and Indonesia to allow us in so that we can actually get closer to the operations again. We were both there back in 2019. And so we'd like to get over, and more importantly, get out into the market, but also get a chance to spend some more time with the team's face-to-face.

So I think this transaction very much underpins our medium-term objectives. And most of you are very familiar with these. Our medium-term objectives of ensuring that we deliver low single-digit revenue growth. Damian talked about the categories that should support. Our ability to be able to leverage the learnings across both sides of the pond and kind of really build on those to deliver that low single-digit revenue growth, and that will translate in the medium-term to that mid-single-digit operating profit growth.

Clearly, our combined cash flows will be greater, and I referenced to that earlier, but leading us to expect to deliver free cash flow of at least EUR 1.25 billion per year, maintaining our competitive dividend payout ratio at 50%, clearly, on a larger base in terms of absolute earnings. And then we will announce the dividend for 2021 at Q3 for the full year. And the reason really for that was to be able to reflect on the earnings of the larger entity going forward.

Our plans are to return, once normality returns, to the normal cadence that we've had in the past of 2 dividends a year. And of course, we'll continue to update you on that in due course. We will have our half year results announcement in September. We are finalizing the pro formas. Obviously, we'll be doing a lot of work in the next months on the purchase price allocation. And we will start consolidating the results of API into our numbers for ease starting with the entire month of May. So really, we'll have 8 months of performance going into what will clearly be a stub year for Coca-Cola Europacific Partners, but then you will also see the pro formas for the full year 2021 as well.

And then we will continue to provide you more updates on the wider business later in the year as things continue to recover, particularly in Europe, and that momentum continues to grow in the business in API.

So wrapping this up, hopefully, you've gotten a good sense of how we thought about the transaction, how we've financed the transaction. We clearly see this to be a value-accretive and an EPS-accretive play, with focus on returning to our target leverage at the end of 3 years from the transaction. Our dividend policy has been maintained on a larger earnings base. And this transaction really underpins our medium-term objectives.

So with that, I'm going to hand back to Sarah. Sarah.

Sarah Willett
Thank you, Nik. So very, very briefly. And to close the main presentation today, we wanted you to hear from our Chair, Sol Daurella for her views on the deal, and also on behalf of the wider Board of Directors, Sol.

Sol Daurella
Thank you, Daniel, Nik and Peter for that exciting introduction to the market and operations that Amatil brings to the new combined company. And also, hello to everyone. Thank you for joining us today. I'm very pleased to be closing the presentations with some remarks on behalf of myself and the wider Board.

We take great pride that we are now Coca-Cola Europacific Partners. Five years on from the creation of Coca-Cola European Partners joined together with Coca-Cola Amatil is unquestionably the right deal at the right time.

As you heard today, this is strategically compelling for our business and our shareholders. We will build on the best of both to drive growth and scale faster as one, going further together. We are solidifying our position as the largest Coca-Cola bottler by revenue, driven by a belief in a collaborative and an even stronger franchise model with the Coca-Cola Company and our other brand partners. We are driven by a focus on long-term value creation, growing the business with sustainability at the core of everything we do.

We are driven by a passion for people and what we do, inclusion and diversity being personally very important to me. Greater diversity creates a powerful platform boosting creativity and innovation through the variety of knowledge, skills and experience. In the long term, this, without doubt, supports a more sustainable business.

I know that we have a truly exciting future ahead of us, a future together, built on strong foundations. From the early companies that eventually became Amatil to the first franchise that my grandfather started in Spain in the early 1950. And as you would expect, we are ready to hit the ground running.

We delivered on the European merger, and we will do it again. I look forward to going on this journey with you over the coming years. A journey which will deliver significant value to shareholders and a brighter future for all stakeholders and only strengthen our profile as an attractive, sustainably driven total return investment opportunity.

Thank you very much.

Q&A

Sarah Willett
Excellent. So now to Q&A moderated by myself. I know you've been eager to ask questions. We have a panel here as well with Damian and Nik. Just in terms of protocol, I have some questions in my sort of back office system, which if we don't manage to cover all of those, IR, obviously, will come back as soon as possible after the presentation.

After the Q&A as well, our next results will be the 2nd of September, as Nik said earlier, and I'll come back to that shortly.

So without further ado, Fintan, you've got your hand raise. So over to you, Fintan.

Fintan Ryan - *JPMorgan*
Thanks, Sarah. Thanks, Damian. Thanks, Nik, and Peter himself for the very interesting presentations today. I think just 2 questions for me, and I guess, sort of broadly related. Firstly, you noticed that you haven't increased, while you said the growth profile of the pro forma business has increased closer to the sort of 3% versus the 2% to 3% of the sort of legacy CCP. You haven't increased the long-term growth potential, the growth ambition, the business is still low single digits. So I'm wondering if you can give some color why you think that you still could be sort of undershooting the growth potential of your markets?

And then secondly, in related, I appreciate some of the comments Peter made about having to prune on the portfolio around noncore areas in Australia and Indonesia. Can you give us a sense of how much of the sort of the acquired business you would see as noncore currently? How you would have -- I guess, how you position that and to run that business down? Or would you look to sell the assets? And can you confirm the CCL's relationships with with its alcohol partners? Will they still fully grandfather to the new CCEP operations? Or like are there some licenses that would be lost in this transition?

Damian Gammell
So then. Yes. Thank you, Fintan. I'll deal with the second part of Fintan's question and then hand over to Nic. So clearly, we've got some fantastic partnerships that come along with this acquisition. And I suppose the one that comes to mind when you asked that question is Jim beam with Suntory, and that's certainly a business that Coke Amatil has developed along with the brand owner over many, many years and creates a lot of value for our customers and for our business. So I think there's certainly relationships with scale like that, that we intend to build and nurture even further and to continue with, and that's being built into our transaction.

When we talk about some of the other areas that we may want to divest of, I mean, that's work that we will continue to look at with Peter. And clearly, Europe has gone through probably a more rapid change in terms of SKU rationalization. I mean we've talked about on a number of calls with a number of bottlers and with you where the opportunity, it's a strange word to use in a pandemic, but clearly we took out a lot of SKUs across our business but candidly Australia and New Zealand didn't have the same level of pandemic stress to drive those decisions. So that's a learning we think we can take from the crisis, and then we are going to look at some of the other brands and SKUs that exist to see are they really part of our value creation story. In terms of the base, obviously the ones we are looking at are not material from a revenue and profit perspective but may be material in terms of complexity and distraction and that's the lens we're going to look through. But the big bets, the big alcohol brands that generate value for us and our customers, clearly, we see that being part of our future. So we'll come back at the right time and update more on the tail, the small, the more fragmented brands and clearly, ones that both ourselves and Peter don't see as being sustainably value creative for ourselves, our customers.

But I've been impressed with some of the bigger partnerships. And certainly, that's something that we've learned a lot about. We want to build the same relationship with those partners that Amatil had. And we want to look and see whether there's growth outside of the geographies that we can bring to those businesses. So more to come on that. And then I'll pass over to Nik for your good question on our revenue guidance for the midterm.

Nik Jhangiani
So Fintan, this is the beauty about when you use round numbers like low single digits and mid-single digits, right? And in some ways, there's a beauty, but then there's a challenge there, right? Because how do you distinguish? Is it a little bit more than what was the low single-digit before versus not or what is it? So a couple of things you got to think about. The category is attractive. I think we need to spend a little more time with the Coca-Cola Company looking at the opportunities in which we want to play and play more aggressively. And the ones where, as Damian just talked about, relooking at that portfolio and choices of where it's been a bit of a distraction and where we might want to get back to focusing in on the core, right? So I think that there's a first piece around resetting that we need to focus in on.

The second piece is, again, keep in mind that when you think about API, it's about 1/5 of the total new group going forward, right? So even though we would like and expect to see, particularly with Indonesia and the opportunities in Australia for that growth to accelerate versus what we've seen, again, it comes back to, it's about 1/5 of the business, right? So I think we've got to add and marry both those up. What I think I would say to you is the low single digits is a sustainable level of revenue growth. And if you look at what we did in Europe, I'd just go back and relook at the 3 or 4 years, right? We started out where we actually had some rebasing because of our volume but we were very focused on price and mix, right? And then you saw that acceleration come about because we were continuing on our price/mix journey, but we were also starting to get volume growth back versus what was then the right base. So that's the way I'd be thinking about it as opposed to just an absolute number. Hopefully, that really helps. And we'll continue to provide more details, particularly in terms of what we might do as we rebase the portfolio going forward.

Damian Gammell
And i'll add just a bit more color on Indonesia. I think we have a unique opportunity now with the transaction to take another view on Indonesia with the Coca-Cola Company. Clearly, there's growth in that market. But really what we've got the opportunity now is to rebase that in terms of profitable growth in the mid- to long term. And that's what we're really focused on. We've all had an experience of emerging markets. We can get a lot on the top line and not a whole lot on the bottom line. And we're excited about the opportunity to get that balance right. And certainly, in the near term, that fits in more with the guidance as Nik outlined. So that's a chance we have, and we don't want to miss it.

Carlos Laboy - *HSBC*
Yes. Damian, you started out speaking about digital vision that was very compelling. Can you shed more light on that? And what it will look like -- what your digital capabilities will look like in 2 to 3 years from now? How do you benchmark your artificial intelligence, advanced analytics, B2B, B2C capabilities today? And where do you see them going? And how do you see them developing? Also, there was word of improvement in these areas as well and in the Amatil businesses. Could you expand on that, please?

Damian Gammell
Thanks, Carlos, and very nice cooler. So I've talked a lot about our investments. We had a unique opportunity with the creation of CCEP to some say the whole lot of old systems and to recreate an enterprise platform that would allow us to create a digital future for CCEP. And we set that vision out pre-COVID. And obviously, with COVID that vision has just become more compelling. And as I look at our business today, I mentioned in my prepared remarks, we wouldn't have been able to get through what we've got through without a digital workplace.

So on a fundamental level, all of our employees now operate on a fully integrated digital platform. And that's using best-in-class technology, and we benchmark that within the Coke system and against our competitors and against FMCG peers. And we've been using partners like Deloitte, KPMG and a number of other organizations, basically to keep us clear on what good looks like and what great looks like.

But one fact that I think is worth bearing in mind, our MyCCEP platform, where we've now got well over EUR 1 billion of revenue going through that platform. And that's clearly the biggest B2B coke platform globally already. And we're continuing to expand that, and it's growing rapidly on not just on the back of the pandemic, but on the back of it being a great tool for customers to use. As I mentioned, they feel it's easier to do business with. We've expanded that to now where we're offering advice. We're offering finance advice. We're offering, obviously, coolers, but we're building out an ecosystem that if you're a small convenience store or a fast food outlet or a restaurant, by going to our platform, we're going to unlock other opportunities for value creation for user customer. So we're partnering with a number of non-coke entities to provide those services. So building out that marketplace, our ecosystem.

Beyond that, we've moved all of our manufacturing sites to LineView, that's best-in-class digital analysis of all our line performance that we can seek for all our plants across all our territories. We'll apply that also to the Amatil business. That allows us to look at not just performance metrics, but benchmarking, it allows us to look for common problems and solutions and allows us to run analytics on our manufacturing.

And we've talked before that we have a fantastic capability in Bulgaria, a group of super talented and committed employees. In that entity, we've based our robotics so we're now running robotics on our data on some of our core processes to make them more efficient and to take out cost. But it's also, on the back of our recent appointment of Chief Data Officer, allowing us to run our analytics at scale. And we are also the lead bottler with the Coca-Cola Company on combining the consumer analytics, which is now something we've talked about before, with the customer analytics, which in a bottling entity is key because a lot of other businesses are fully integrated.

So we've got to work a little bit harder to combine those consumer insights, customer insights. And I would say, Carlos, that at some stage, we'll share more, with some of the work that Peter has led at Amatil that I've been really impressed with where they've been doing post code analytics to look at market share differentiators and allowing them, and Peter talked about it to be very segmented in their response to some of the brands.

So right across, I suppose, our P&L, which is the way I like to look at it from the top to the bottom. We could spend a lot of time talking about digital examples. And it's something that we're excited to tell more about because I think we've got a lot that maybe people haven't fully appreciated what we've been doing in the last couple of years.

Carlos Laboy - *HSBC*
It sounds like a lot of progress.

Lauren Lieberman - *Barclays*
I had to unmute. Great. So I guess first thing I wanted to touch on. One was a follow-on on just this conversation around capabilities in CCEP. Because remembering back to the 2018 Investor Day, you talked a lot about small outlets. It was a big theme of that day. And so I was curious, I guess, one, an update on how much has actually happened in that regard? How much has been a contributor to the growth that you saw maybe 2019 is the right conversation less 2020? And anything more specifically around the unlock about coverage that exists within Australia in particular?

And then the second thing was just on -- again, going back to the beginning with the formation of CCEP, Nik, I remember the on and on discussion you had to have with all of us about synergies, whether they were growth synergies or net synergies and savings. And so with the numbers that you shared today on the 60 million to 80 million stand-alone for the new combined business, what's all the in-flight activity? How should we think about in flight -- I'm sorry, how should we think about net versus growth savings making their way through to the P&L?

Damian Gammell
Thank you, Lauren. Back to your first question on the small customers. So clearly, that's a significant part of our business in Europe, also in Australia and New Zealand. I think Peter commented quite rightly that one of the deltas between the Australian business performance in New Zealand when he looked at it was New Zealand had never lost that passion for covering those small outlets and therefore, benefiting from not just more volume, but a better mix and a better profitability. So it's a big part of our combined businesses. We have, as you said, put a lot of focus on that. We've increased our coverage year-on-year at CCEP. We've been placing more coolers. That's come through in our results, certainly up into 2019 in terms of our case rate, the mix benefits. And obviously, we've been able to build brand distribution.

We've been piloting a number of new initiatives that has led to that segmented structure that we've talked about. So just getting a little bit more granular on the back of really good data analytics. We've had a number of pilots, one of them with Google, where we've been partnering with them to use their Google Maps capability to basically make us more efficient in our coverage. Because if you look at Google Maps or Foursquare or any of those platforms, they immediately tell you the opening times of small outlets and restaurants. You can access their menus. And clearly, we've been running algorithms that allow us to go into that data centrally, look at their menus and then provide a gap analysis to our sales rep. And that's really, really powerful. And all that's done through advanced robotics and analytics.

So effectively, a sales rep can get a list of outlets in her or his area that will identify from the menu that they've uploaded where we've got a distribution opportunity. And then that flows through to our sales force platform, with a selling story and a call or a visit.

So lots happening in that space. I'm very excited also to look at how that will be adapted for Indonesia, very fragmented market, lots of small outlets, really exciting. And we believe -- and that's why I mentioned it that emerging markets actually can leapfrog developed markets when it comes to technology data and analytics because effectively, you're not trying to change a lot, you're moving to best-in-class, and that's something that we believe will unlock value, not just in Australia and New Zealand, but Indonesia and also back in Europe, as I said, that pulse code work that Amatil did is really, really exciting.

Nik, do you want to talk about our favorite net or gross synergy number?

Nik Jhangiani
Yes. Lauren, thanks for really bringing up great old memories of lots of discussions around what's gross, what's net? Where is that number, et cetera. But anyway, to keep it simple, the way we've looked at it is when you look at everything that we're looking from a restructuring angle in the in-market opportunities. So if you think about the savings versus what we did is mitigation plans that are now permanent in our cost base as well as what are these restructuring programs, fighting fit or accelerate competitiveness. And I promise you we're going to simplify it when we are truly 1 by the half year, just talk about 1 number in terms of those benefits. Those will all be against our 2019 cost base. And those will be net numbers that actually, if you look at it, those should actually be -- our cost base for 2019 should be lower by that amount versus what that aggregated cost base was for the 2 companies, right? So that's on that first piece.

On the true combination benefits, that EUR 60 million to EUR 80 million that we talked about, that too will be net. I only put 1 caveat on it because we're continuing to look at our plans with the Coca-Cola Company. We also want to look at what we want to do in terms of portfolio. And that, at that stage, once we're clear on some of those choices, we will come back and kind of reset what does that mean in terms of our P&L, so to speak, right? But today, we clearly see that EUR 60 million to EUR 80 million being a net benefit as well, but we'll come back with some more clarity as we go forward on that piece. So hopefully, that helps, Lauren.

Bryan Douglass Spillane - *BofA*
All right. Thanks, Sarah. Good to see everybody. So just 2 quick ones. And maybe wanted to -- Nik, a follow-up to Lauren's question. Just Sarah was good enough to give us excel sheets with pro forma for 2019 and pro forma for 2020. As we're building out our models and we're looking beyond '21, should we be using 2019 as really as the base to start to sort of build improvement off of just because 2020 is so noisy or should we be using an average of the 2? Just not trying to tie it to a number. Just trying to understand how would you approach sitting in the seats we're in, which base would you use to try to build the investment model off of or the acquisition model?

Nik Jhangiani
Sure. So yes, it's an interesting question. I would answer it in a couple of different ways for you. I think if we think about our focus around recovery and building on the momentum that we're seeing. It's very much how quickly can we get back to the 2019 top line numbers, right? Coming back to the points that I was just indicating to Lauren, our cost base is clearly going to be lower than what we had in 2019 for the combined benefits -- for the combined company. So actually, if you look at the top line recovery coming back to '19 with the cost base sits lower, all things being equal, it's about -- this is going to be a stronger and a higher-margin business, right, as a base going forward.

And then I would be looking at that growth algorithm that we talked about in terms of applying that against that recovery now -- or that recovered base. The challenge, obviously, Bryan, is we're all sitting here and hoping that we had a great crystal ball and could tell you exactly when does that recovery happen. I think we're seeing clearly great momentum in Australia and Pacific. Indonesia probably a little further behind in terms of the COVID recovery. But I think there's a great opportunity to go in at a time like that to reset that business as well.

In Europe, we're already starting to see, I think, mixed recoveries. GB is already on a great track, for instance. You're starting to see that come about in other markets. The vaccination rollout now in Europe is a lot better. So Damian and I would be very focused around how quickly can we get back to that '19 top line with a lower cost base and then apply that mid-term objective against that. So you're going to have to use some judgment there in terms of your crystal ball and let me know what you're thinking before you publish a model. But I just want to know if you got it right or wrong or where you're coming from?

Bryan Douglass - Spillane *BofA*
I think I'm just going to rub the dog and see if the dog gives me an answer. But just to be clear, Nik, if we start with 2019 as a cost base for the combined company, and then we take out what you've identified as the savings, that's a good starting point because 2020, the cost base is so noisy. It's 2019, that's

what you've identified for cost savings and where we be thinking?

Nik Jhangiani
Absolutely. Just keep in mind, though, and I think we'll give you some more clarity at the half year. We will tell you how we're thinking about those benefits in terms of what's going to be in 2021. So you know that starting point of 2021 and then what's going to come for. So if you look, for instance, for Europe, we've laid out very clearly, we will have about 150 out of that 200 to 225 in '21. So you will then phase the 50 to 75 going forward versus your '19 numbers.

In the same way, we've talked about, if you look at Australia, API with the fighting fit and the mitigation, they will deliver about AUD 65 million of that during 2021, right? So just keep those in my Aussie dollars. So just keep those in mind as you're looking at it because it's not the totality because some of that will come in the years to come as well.

Robert Ottenstein - *Evercore*
Congratulations on the transaction. Two questions, 1 short term, 1 long term. So the short-term question is -- and you, obviously, covered this in the presentation, did a great job talking about things to mitigate risk. But that being said, any transaction like this there is execution risk. So Damian, maybe what are the 1 or 2 things that keep you up at night? And how are you thinking about those? That's kind of the short term question. And then the long term question is looking further out 3, 4, 5 years from now, how do you think about this business as being a platform for future acquisitions in Southeast Asia and the surrounding areas. Is that something that is in your long term plans?

Damian Gammell
So thanks, Robert. I suppose the good news is I'm sleeping really well. I suppose I had more sleepless nights between when we announced and until we got to yesterday, and I suppose what has taken away some of those legitimate concerns that you always have within integration, particularly one in the circumstances we're in, if you just take the time zones and you just take COVID and -- but I think what really helped us, we secured the buy-in of Peter, Chris. We identified Jorge coming out of Mexico as a great leader that we could bring into the company. And I suppose when we set up CCEP, our operating model was built for M&A. So we were very confident, maybe the wrong word, but we certainly, when we structured CCEP with the 5 BUs.

And our operating model, we did design it deliberately to be able to add on businesses because we knew we're going to have a great balance sheet. We knew we're going to get our dividend into a great place, but we also knew that M&A was going to be part of our future. So a lot of that wiring was done very early on, and that gives me a lot of confidence. I think Nik made a great point, and it's a small point, but certainly for me as a CEO, getting that sales report and seeing all those other flags and the volume coming through today, it's a small proof point, but I think we've all heard about acquisitions and months down the road, they're still trying to get a daily sales report.

So we've had a lot of talent that we kept from the CCEP integration. They've been working on our competitiveness program, which has gone really well. We then pivoted them to this deal that's in-house. So I think that's led to it. I mean we're not naive. Clearly, Indonesia is a volatile macro situation with the virus. So we've got to keep a close eye on that. Australia and New Zealand have done really well.

Let's hope that continues. There's no reason not to, but we're thinking always about what if. But fundamentally, the quicker Europe gets stronger, the better I sleep. And I'm particularly pleased with the GB numbers. If you look at the Q1 revenue numbers out of GB, and most of that quarter was not disrupted by COVID in 2020. That was a pretty clean quarter. You can see that we've got really good revenue growth numbers, good share gains. And I think that's giving me a lot of confidence that we're ready to go in Europe. But yes, I'll probably look a bit more rested in September, hopefully, when the restrictions are gone, and myself and Nik can be out in the back. But good question and a bit of a long answer, apologies, but it was a key part of our thinking, and we've been planning for quite a while.

Robert Ottenstein - *Evercore*
And just in terms of the -- the other second question, just in terms of the new business is being the platform for future growth and M&A?

Damian Gammell
Yes. Yes. I mean, I think we've certainly put ourselves in a position to demonstrate value creation in Indonesia. That's our job now. That's got to be sustainable. It's got to be done jointly with the Coke company. That works ahead of us, Robert. I mean, we've got great ideas. We've got great plans. We've got good leadership in place now. And so I think that question will, I suppose, be answered by how we perform in Indonesia. We're not trying to get ahead of that. We think a market of 300 million consumers is a wonderful opportunity, but with challenges, low per caps, not a very relevant sparkling category. A route to market that we've got to look at to see from a cost-efficiency perspective, what more we can do there. As we see progress in Indonesia, I think we could come back to that question. But for me, Indonesia is the key to unlock anything else. So let's focus on that.

Nik Jhangiani
And rather, the good news is, I need at least 3 years to delever. So I don't have the cash to go out and buy anything. Right now, it's about integration and delivering on everything we've talked about. So we can both sleep for a period

of time until the next big one is happening.

Anne Peters – ABN Amro
I was wondering if you could give me some more color on CapEx -- of the acquired business because I've noticed that the Australian business, the CapEx as a percentage of sales has been below group average, while the Indonesian CapEx has been above the group average. And I was just wondering if you could give me some color on where sort of the CapEx of the acquired business will go to.

Nik Jhangiani
Yes, sure. So I think if you go back to your point and look at some of the investments and the way it's been done, it comes back to that law of averages is an interesting one to look at again when we come back to that circa 5% that we'll be spending, right? Now again, this is going to be looked at as a part of the total group and where we need to be focused to be able to capture the best returns, right? And if we need to put more into Indonesia versus in Australia or in GB, that's where we'll be looking at how do we make sure that we're getting the appropriate returns on each of those investments on a stand-alone basis. And everyone, really, we have 2 principles that Damian and I follow with them. One, obviously, the IRRs and the NPVs have to look very attractive on those. How do they fit in with the broader strategy?

And ultimately, how can each of our business units become self-sustaining. They've got to be able to fund that CapEx from their working capital and their EBITDA delivery as well. And those are very strong principles on which we've stuck to because that then gets them to focus in on the right metrics, but also that free cash flow delivery. So I think if we look at the European business, just to give you a sense, I mean, I think a lot of our investments in capability building, particularly on the digital side. Damian outlined some of the stuff that we've been doing over the last 3 or 4 years. We have spent a lot there. And I think we're -- I wouldn't say largely done because you're never done, but that's going to ramp down.

There's an opportunity for us to, obviously, look at the work that's been done on the API side, but where can we actually build scale through some of those areas to very quickly become an overall Europacific, more digitized environment from a revenue workplace supply chain perspective. The other areas that I think we need to be thinking about is any new capabilities that we're going to need either in terms of portfolio and/or things like logistics supply chain to be able to meet the customer service demands that we will have. So those are the areas that I would say we'd be focused in on as we look forward. The other piece, the third and the last piece I would highlight is, obviously, we want to assess the route to market capabilities and make sure that we've got the right structures for Indonesia, in particular. And that's probably an area that might require some investments from a capability perspective.

Sarah Willett
So any more hands up or any questions? No?

I've got one here, actually, I can see, this is for you Nik, actually, is what will be your target for cash conversion?

Nik Jhangiani
100%.

Sarah Willett
Okay?

Nik Jhangiani
That's my target.

Damian Gammell
Simple, simple targets.

Brett Cooper - *Consumer Edge Research*
And not to make painful for Nik's gross to net, but I wanted to take that from a different perspective. At the time, Damian took over CCEP and the formation, you talked about the acceleration of growth. So I was hoping you could talk in a little bit more detail about the reinvestments that CCEP made and then maybe also the Coke made alongside? And then any similarities that you see in the API markets? And then it's -- it may be tangential, but can you talk about the decision when Irial Finan left, the decision to replace a seasoned following executive with Coke CMO and what that might mean for the level and type of investment we can expect going forward?

Damian Gammell
Yes. Brett, so on Manolo, I mean, clearly, the company of 2 Board seats and they've rotated them periodically. Bryan joined previously. And as you said, Irial, who was part of the company, running the BIG, but retired a number of years ago has come off. I mean we're excited about Manolo joining. We had Francisco Crespo on our Board previously, who was the growth officer at the time, if I got his time correct. And clearly, Manolo comes from Asia in terms of his work experience. He's leading the growth agenda at the Coke company on the brand marketing level. So we think it's going to be great to get his guidance and input. And really to hear firsthand as a Director of CCEP on the opportunity and challenges that we see with the brand portfolio.

So it will speed up communication. It will allow for great conversations in terms of where we go with the portfolio jointly. And then the other benefit is, clearly, he understands Asia Pacific, particularly Indonesia, having been responsible for that business. So overall, it's great to welcome to our Board. And clearly, we believe it fits very nicely with the next phase of the journey at CCEP. On the reinvestment element, I'll just hand it back to Nik, if you want to?

Nik Jhangiani
Yes, sure. Brett, I think I got your answer right, but if I don't answer it, just put your hand back up again. You were breaking up a little bit. So I think you were talking about the gross to net and where some of the areas were that we were investing in as when we form CCEP? And how I might liken that to what might be needed at CCA. Was that correct?

Brett Cooper - *Consumer Edge Research*
Exactly.

Nik Jhangiani
Now to give me a hands up. Okay. Good. So I think if you step back to the formation of European Partners, the biggest areas that we need to go back and invest in, particularly in some of the legacy CCE markets was around feet on the street. And then broadly, we want to build out better capabilities for our sales force. If you think about everything that we were doing with Red, arming them with the iPads to allow for more effective calls and the frequency and the depth of the calls and what they were covering when they went out. And then a lot around digitization, right? The great news there is that if you think about Australia, in particular, that's what legacy CCA, if I might use that, has been focused in on and their investments over the last 2 or 3 years leading up to 2019.

And the great news there is that investment is clearly paying off because we're starting to see some of those early green shoots of recovery and a faster recovery coming out of COVID, obviously, supported by the way the government there has managed the pandemic and crisis. So I think there will be other areas that we might need to look at, but the significant heavy lifting has already been done through legacy CCA. The one market where I think we probably need to spend a little more time on with the Coca-Cola Company and particularly with Jorge coming in and with Peter West is, how do we look at Indonesia? And what are the investments and capabilities that we might need to make there to be able to accelerate the growth, but very importantly, as Damian said, profitable growth, right?

And the good news there is, remember, the Coca-Cola company still has their 30% stake. That is a joint venture where we have as now Coca-Cola Europacific Partners a 70% stake in that entity and the Coca-Cola Company has a 30% stake. So I think our interests are very much aligned, invested in terms of the things that we need to do to reset that market and really poise that market for great profitable growth going forward. So hopefully, that helps, Brett.

Bonnie Herzog - *Goldman Sachs*
I did want to circle back to the cost savings that you guys called out. And curious if the $60 million to $80 million target changed, either higher or lower since you first announced the deal? Nik, I'm kind of wondering if you discovered any more savings in the last few months, for instance. And then are there any other potential opportunities that you haven't necessarily included in that target? So that's on the cost savings. And then I did want to ask a quick question on the input cost environment. Just to kind of get an update on some of the cost pressures you're facing? If you can give us any color on that, especially on a pro forma basis as a combined company? And then broadly, how well hedged you are in '21 would be helpful?

Nik Jhangiani
Great. So on the cost savings side, Bonnie, I think it's a great question because we went into the transaction, again, like I said, we've been working on this for a period of time on both sides. And what we've articulated pre the close of the transaction was very much what we felt that we could do on our cost basis with cross learnings from each other, right? So that 150 plus the 50 to 75 to come in Europe and that circa 90 overall in API is very much synced up. And I think we will continue to challenge ourselves on the margin, is there more that we can do that, right?

On the $60 million to $80 million, it's a great question because when we actually built up our business case, we clearly had a lower number in there, okay, in terms of what we would see. And as we've gone in and done some more work, we've gotten ourselves more comfortable that there was more, particularly, in the spaces of procurement, right? Because we -- remember, we're part of a system. There is the cross enterprise procurement group. There's a lot of learnings that are shared. But as Damian articulated earlier, until you actually own a business and start going in line-by-line and thinking about how am I going to achieve and target this area, that's when you truly get that unlocking opportunity. And then there's a strong effort to go ahead and get that. So clearly, from where we started in terms of the true combination benefits versus the $60 million to $80 million, that's moved.

Is there more? I would love to say, yes. But I don't want to commit to that until we get into the business a little bit more. But we will clearly update you as we look at other areas of the business, particularly in the areas, I would say, around the corporate functions and how can we drive more efficiency with the scale of what we built up. For instance, the whole digitization and the center of expertise that we've built up in Sofia, for instance. Is there an opportunity there? Or is the time difference or something like that that's not going to be the first area of focus that we'll go after. So there will be more for us to continue to look at and challenge ourselves on. I don't know if you want to add anything.

Damian Gammell
Yes. No, I think just one thing, Bonnie, to build on what Nik said. I've been particularly impressed with Peter West's efficiency mindset. I think that's very different because clearly, pre-close, we were limited with how much we could engage and discuss. If you look at his background, spend a bit of time with Mars, I think a company very focused on efficiency and productivity. He's clearly brought that into Amatil. He kicked off the fighting fit. So while the number got bigger, I'd also say that the dialogues were far more open and maybe transparent than we've experienced in previous deals. And I think Peter has got a great mindset around efficiency and openness. And I think that's been a positive that we could only come across once the deal really started to close.

Nik Jhangiani
So Peter is sleeping right now, but I'm sure he'll listen to this tomorrow morning and be very pleased. Now we're going to go for more.

Damian Gammell
No pressure, Peter.

Nik Jhangiani
No pressure, Peter. As you wake up. So Bonnie, to your other question around input costs. Clearly, there is the pressure that we've seen globally coming across. I would say the first area that we're seeing pressure on is in aluminum and on cans, right? That is a global issue right now. I think no one really thought the type of growth that we would see across cans across not just the NARTD sector but the Beer sector and the pressure that was going to put is clearly driving up costs there. The good news, I would say to you, was we were circa 80% hedged going into the year. But having said that, Bonnie, I would just be careful again with the law of averages because when we talk about 80%, it might vary depending on the commodity type, right?

So what I would say to you is today, we're spending a lot of time looking at what does the outlook look like, particularly as API has come in? And what was their hedge coverage across each of those commodity areas of sugar, resin, PET, aluminum, et cetera? And we'll probably give you some update at the half year in terms of what does that look like and what does that mean for our outlook for 2021. It'll probably be early at that stage to give you an outlook for the next 2 or 3 years, but we'll try and provide some of that around September time frame as well, at least directionally. And our hedging policy, just so you're clear too, typically for at least Europe, we've done that in a 3-year rolling basis. So we typically look at circa 80% for current year, circa 54% the next year and then circa 20% to 30% for the following year. And I would say those thresholds have been in place, and we're in that ballpark.

Richard Withagen - *Kepler Cheuvreux*
I've got 2 questions. First of all, can you share some feedback that you had from customers, especially in Australia. Peter talked about segmentation and so on. But since you announced the deal, what's the feedback from your customers in Australia? What they want you to do better than the API region did in the past? And then the second question is a very brief question maybe for Nik. You mentioned that the WACC will be at the ROIC level by year 5. So basically, what WACC are you using, Nik?

Damian Gammell
Thanks, Richard. So we've had a lot of excitement from our customers in Australia and New Zealand and indeed, Indonesia. But to your point, Richard, in Australia, very developed great customers, Woolworths, Coles, IGA, MetCash, very much developed market customer. And I suppose the underlying kind of feedback we've been getting, this is now opening our market to a much bigger center of learning and opportunity in Europe. And I think what they're excited about is, I mean, they've read our presentations, they're excited about our joint value creation mindset. That's something that they feel Australia could benefit from. They're curious on the brand portfolio side, the trends around sugar, health and wellness, will this deal unlock more opportunity for their customers. And I think also from the digital agenda, they've obviously been watching closely through their own networks, the speed of online grocery shopping that has come on the back of COVID, the speed of food aggregators.

So there's a big curiosity in Australia and New Zealand while they haven't had the massive change impact that we've endured with the pandemic. Certainly, the underlying consumer trends are similar. So I suppose, overall, an appetite to learn and share very positive and I think a good degree of curiosity. So I think that's what we were hoping for is that they'd open the door and be curious, and that's exactly what we're seeing. And that's in all the markets, but definitely in Australia, which is very similar to where we are today in terms of GB trade structure, route to market, a lot of similarities that we can share. And I think there's a lot we can learn, and I think one of my commitments to my Board and to my leadership team was this acquisition has to make Europe stronger. That is a key objective. And that's where 80% of our revenue sits. It's where we need to recover back to 2019 faster. So this is going to be a 2-way learning, and we've already seen that. But overall, very positive. And back to the WACC rate to Nik.

Nik Jhangiani
So yes, on that, Richard, great question because we spent a lot of time looking at this, particularly when we're looking at the formation of what does Coca-Cola Europacific Partners look like and what is that overall WAC. So if you look

at the work that we've done internally with our bankers as well as what the average is that we've seen from the notes that have been published, it's anywhere between 4.5% to 6%, and we got comfortable at just slightly north of a 5% WACC for the group on which we based a lot of our analysis.

Sarah Willett
And then to the last question, John. I think you have a question for us to wrap up the Q&A.

John Staszak - *Argus Research Company*
When I look at the market data for CCA over the last sort of 5 to 10 years, they seem to have fairly consistently lost market share because of the relative decline of the carbonates market in both Australia and Indonesia. You seem to be suggesting you can grow in line with the market. Is that just the confidence and the change in the sales focus to the digital and smaller? Is it all -- is there anything else that gives you confidence that, that will -- those carbonate market, in particularly, will start to pick up?

Damian Gammell
Yes. Thanks, John. I mean it's a valid point. Australia has had, prior to Peter actually arriving, had multiple years of decline, very similar to what we saw in Western Europe when we created CCEP. So I suppose the good news is Australia has started to recover on the carbonate side probably quicker than we expected when we first looked at the deal. And a lot of the work that Peter and the Coke company have done has returned the carbonates to growth. And we believe the macros will support that over time, but also we believe that some of the work that's been done around resetting pricing, a renewed focus around sugar-free and zero will help. And also, we've got a piece of work to do. If you look at where we've lost, then loss is in flavors in the carbonate segment. The Cola segment has held up well.

And in the flavor segment, CCA has been competing with the Coke company with its own brands, Kirks. So you've had fragmented brand strategy in flavors. We're going to tidy that up very quickly. That gives us confidence that in the carbonate segment where we have the lowest share we will have an aligned brand portfolio position with KO, and that hasn't really been part of the story. Indonesia, we are the category. So there's a lot of responsibility on us to change the momentum. We have green shoots, reasons to believe. Peter talked a lot about Ramadan. How do we apply what clearly is a part of the year where people really enjoy our brands, will pay for them. But as soon as Ramadan is over, it kind of drops to a lower level. So if we look at the demographics, if we look at the economic macros, if we look at the consumption habits within Indonesia, and then we've compared it to other markets, it's got about half of the per capitas of the lowest markets that we've looked at.

So on a leaner basis, India is at 6, Indonesia is a 4, Pakistan is at 9. So we've got to do it for sure. But clearly, we see the opportunity, and we know that making the sparkling category relevant in Indonesia is our responsibility. And that's going to be more about focusing on core sparkling and investing behind it. And that multiyear plan with the Coke company will unlock that. So that's what gives us confidence. Obviously, in Australia, we can take share as well. We can go back and look at some of the areas over those years, you mentioned where we've lost share. And Indonesia, our share is not the challenge. We've got to get the category growing. And so kind of 2 different perspectives on that carbonate growth algorithm. But we've seen it work in Australia already. New Zealand has been doing it for years. Indonesia hasn't done it yet. So that's where we've got to put a bit of -- a bit more focus.

Sanjeet Aujla - *Crédit Suisse*
Look, just a quick one on Australia. So a big focus here on reducing promo intensity. I guess, I'm just curious how the current level of prom intensity really compares versus Europe today? Just to get a sense of the opportunity. My impression is the retail environment in Australia is a little bit more consolidated. Do you expect that journey to be more challenging or easier than in Europe in the last few years where it's been a little bit bumpy from time to time?

Damian Gammell
Yes. Thanks, Sanjeet. It is not -- I suppose, not just a higher promo level than most of our markets in Europe. It's also a bigger pack promo. So it's quite similar to what we encountered when we created CCEP. If you recall, we'd -- that was wonderful 8- by 2-liter promotions in Belgium and France and a lot of large multi packs, some heavy discount in GB. That are 2 challenges, which we see also in Australia: One, clearly, it's not as profitable for us or our customers. And secondly, it can lead to a lot of channel leakage where the can pricing on promo in a Woolworths or in a Coles can be cheaper than what you can buy of our wholesalers or direct. So we see the same opportunity. Peter and the team have taken steps to address that.

You can see that the intensity has been changing. So it's probably if we look at our markets, in Europe, it would probably be in the top third in terms of promo intensity. So some work that we can do there. And again, one thing we learned is we've got to look at it by category. It's a very different story when you look at flavors versus cola. And we think that segmented approach that Peter talked about will help us address that. So looking at the pack size versus the promo intensity of flavors is something that we feel will be an opportunity. And then looking at promo intensity on coal is probably, the packs are probably okay. It's probably just the intensity. So 2 different perspectives but something we're working on. And yes, builds on the experience we had in the first 2 or 3 years of CCEP.

Sanjeet Aujla - *Crédit Suisse*
Just quickly -- Sorry, can I just squeeze in a quick follow-up for Nik, actually, just on the pro forma EBIT margin numbers. I think the API per your new disclosures, it's around 11.2% in 2019. And I think per Amatil's reporting, it was around 12.6%. What's the difference there? Is there changes in accounting policy? Or can you just double a little bit into that? And then I'll be quiet.

Nik Jhangiani
Yes. Yes. So real quick, more to come on that because those were just performers that were done for the debt offering. As we now have closed, we will be doing the PPA work. And it's really some estimates around purchase price allocation, around asset write-ups and impacts on depreciation that would have primarily that and some accounting policy changes on inventory. But I think we'll lay that out because we'll have some more details around that with the half year numbers because that's the first time we will actually be having the first set of audited numbers with PPA built-in. So Sanjeet, more to come on that.

Sarah Willett
So on that note, Sanj, that was a great segue that those next results will be on the 2nd of September. A bit later than normal. One thing for me to point out, and you may have noticed already in the web version of the presentation, there's a lot of fact sheets in there for you to digest. So I'll leave those with you. And as Nik mentioned earlier, we've been very friendly and giving you an excel version of those pro formas. And without further ado, before signing off, back over to Damian for the final wrap-up.

CLOSING REMARKS

Damian Gammell
Thank you, Sarah. Thank you, Nik. And most of all, thank you, everybody, for joining us this morning and this afternoon. And I have a couple of slides just to close on. I think I hope you got a sense today of air excitement and enthusiasm from Sol, from Peter, myself, Nik and Sarah and that's really across our whole leadership team and throughout the organization. So in some ways, given what we've all gone through, it's a fantastic time to close a wonderful transaction and bring new and bigger growth agenda for CCEP.

I don't want to lose Q1. I know we spent most of today talking about the future. But as I said, one of the great things about this acquisition is it should make Europe stronger. I'm particularly pleased with all of the hard work and commitment our employees in Europe have shown through very challenging times. And I think our Q1 revenue results demonstrate the resilience of our business. The speed at which we can recover, if you look at GB. And I shared with you a little bit of what's to come in 2021, and that clearly adds to the excitement for CCEP as a whole.

On this slide, some of the focused actions that we've signed up to as a team, the integration of API, having that sales report was fantastic, small but very meaningful. We're going to continue to look at growing our core. We've done a lot on RGM that we can share with each other. We are all about creating value for our customers, and that's a story we're very happy to bring to API. We've done a lot on digital. We probably need to share more of that with you. But clearly, whether it's a Salesforce platform or analytics or robotics, we're going to continue to share that across our business.

We've continued to invest in our people and their growth and their development and in particularly in the well-being. We've shared our progress in sustainability, whether it's on rPET, but most importantly, we've pivoted our primary goal now the carbon reduction. We've put it in our LTIP, and we'll bring that to API. And as Nik talked about, we love cash, and we're very passionate about getting cash back to our shareholders, to repay our debt and to continue to invest smartly in our business.

So a lot going on in '21, and I'd have to say a big thank you to my team. Because as I look at all of these areas, we're really making great progress as we look forward to the summer.

And finally, just to go back to a slide that you've seen quite a bit today, it is a great move at the right time. It's a compelling transaction, not just financially, but it underpins a very sustainable growth agenda for CCEP through diversification into markets that are very close to us in terms of the structure and into markets that clearly are going to bring very exciting and different challenges in terms of their growth agenda like Indonesia. But we're ready for that. We've been planning for this for quite a while. We've got 2 clear objectives, as Nik talked about: One is to get our European business back to those 2019 revenues off a lower cost base, that will look great. And clearly, it's to unlock the potential that we see in API. And both of those coming together, we believe, make CCEP a wonderful investment for all our shareholders, a great place to work for our employees, and a great business for our customers to partner with.

So thank you again. More to come, and I'm really looking forward to sharing with you some more insight as we get to September.

Thank you, everybody.

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