COCA-COLA EUROPACIFIC PARTNERS at
Barclays 17th Annual Global Consumer Staples Conference
4 September 2024

Lauren Lieberman

Great. If everyone could just find their seats, we're going to get started with Coca-Cola Europacific Partners. Damian Gammell, company CEO, is going to have a few minutes of prepared remarks, and then we'll jump into Q&A.

Damian Gammell

Great. Thank you, Lauren.

So, good morning, everybody. It's great to be back at Barclays in Boston, enjoying the end of a nice summer. So, it's good to be in the sunshine.

I thought I'd take the opportunity just to share with you a brief update on CCEP and then get into some Q&A.

So, obviously, what I'll talk about today contains some forward-looking statements. Nothing new there.

We've changed quite a lot. So, I'm sure a lot of you have hopefully been following us since 2016. We've been on a great journey, both in Europe and then, most recently, in the Philippines. So, we've really diversified our business, and I'll talk a little bit about that later. And you'll see the benefit of that in our results and in our guidance, going forward.

So, we're a much more balanced business between Europe; obviously, the great markets of Australia and New Zealand, Indonesia and the Philippines. We're big business now: 31 countries, 42,000 colleagues, a lot more customers committed to our business. Revenue of just over €20 billion, volume of just under €4 billion, and our market cap around $37 billion. And that's changed quite a bit over the last few weeks, and we're obviously very happy with that. And clearly, a big, big partner for the Coca-Cola Company and Monster; obviously, our two key brand partners.

So, if I look at the journey, where we've kind of come from, clearly, the genesis of it back in 2015, 2016 in Europe. Primary goal was to consolidate Western Europe, return markets that really hadn't been growing, hadn't been creating value for our customers, get them back on a growth track, bring back the belief *in a great, great category, great, great brands. And we did that very successfully.*

Relentless focus on free cash flow. It's our passion at CCEP. We love cash, and our new CFO loves cash, too. So, that's great. And that gave us a lot of optionality both in terms of returning value to our shareholders, but also doing some really value-accretive M&A. And that really started with the acquisition of Coca-Cola Amatil. It transformed us into being a multi-geography bottler. And then, most recently, with the Philippines, an acquisition that we're really, really happy with and very excited about the future of that business.

So, quite a journey. On that, we've created a lot of value for our customers. We continue to expand our margins. And we continue to build a business that's more diverse.

When you look at the growth profile of CCEP and if you look at our guidance on that 4% revenue guidance, it's really built up across our key markets. So, in Europe, we see a sustainable growth level of about 2% to 3%. We see it slightly higher in the Pacific, particularly in Australia and New Zealand. Clearly, we see the Philippines and Indo in the midterm growing at that high-single-digit level. So, quite a good growth profile, quite dynamic, and obviously quite a profitable business as well.

I talked a little bit about diversification. Apologies, it's a busy slide, but I think it really demonstrates the strength of CCEP. So, on the left, you'll see the brands that we have; obviously, led by Brand Coke. But clearly, we enjoy great brands: Sprite, Fanta, Fuze Tea, Monster Range. We're getting into alcohol ready to drink, with Jack and Coke. We've got Costa Coffee. So, we've got a very diverse portfolio of any RTD brands.

If you move over, you'll see the dramatic change in our revenue and our volume split. So, from a very Western European business to a much more diverse revenue profile. That sustains that 4% guidance.

Good pack mix. So, we continue to look at how we can make our business more sustainable. A lot of that is in the area of packaging.

And I think what sets us apart from a lot of consumer goods companies is about 50% of our revenues, or more, come from non-retail. So, we love our retail partners. It's a great part of our business. It's very profitable. It's growing. But we do benefit from having a lot of business in on-the-go, convenience, restaurants, *bars, hotels, transportation, and that gives us a very balanced revenue profile. And that's quite different to most CPG companies.*

Very simple model, built on a really, really great relationship with the Coca-Cola Company. They bring us those loved brands, great innovation. I'm sure some of you may have tried Coke and Oreo. So, a lot of excitement behind our brands.

That brings world-class consumer marketing. You'll hear that from the Coke Company and Manolo around the way they've re-engineered their marketing organization.

We bring world-class customer relationships based on great talent, great service levels, and a great value creation story.

And then, ultimately, as a bottler, our passion is around execution. So, more stores, more doors in terms of coolers, more distribution, more activation. And that's what we do every day as a bottling business, and we're really, really passionate about that execution muscle that drives value creation.

So, that's really how we look at our relationship with the Coke Company and also with Monster. That flows into what we focus on, quite a simple model that we've had since day one. We've challenged whether we should keep changing it, as we always do, but we land that it works. So, it's about great brands, great people, great execution. And obviously, all done sustainably. So, we've a very keen focus on our ESG credentials and getting to that net zero ambition.

So, what's working on our strategy? Right in the middle of this slide I think is an unwavering commitment to value creation for our shareholders and our customers, and we're delivering on that.

We've clearly landed with a €0.74 interim dividend per share. We've got a lot of focus on cash returns, over €6 billion since 2016. Sarah keeps updating our slide on TSR. So, we're about 160% at the moment. So, we're very happy with that.

We're gaining share in NARTD. We're focused a bit more on volume in the near term than value, as we see some of those affordability challenges, particularly in Western Europe. And clearly, we've committed with Ed and the team to deliver over €350 million of productivity savings in the near term to support margin expansion and fuel that top line growth.

So, a very clear strategy and one that is creating value for our customers and for our shareholders.

We've made some commitments around our midterm, and again I think a lot of you are familiar with our goals. So, 4% comparable revenue growth. Getting leverage on our P&L on productivity initiatives delivers a 7% operating income growth. That free cash flow number is really important to us. So, we're targeting in the range of €1.7 billion. That gives us great optionality on M&A and, absent M&A, gives us optionality on returning cash to our shareholders. So, very excited about that.

We're well ahead of our journey in terms of getting below that 3x net debt to EBITDA. So, we're happy with that.

We are improving our ROIC.

We've taken our CapEx guidance up to 4% to 5%, from a previous 4%. That just reflects what we see as a really exciting environment in the Philippines. And we know to unlock more of that growth, we're going to be spending a little bit more capital, particularly on capacity.

And we're very pleased to maintain a healthy dividend payout ratio of 50%.

So, that's our midterm guidance. We're committed to it for, obviously, 2024, and then into 2025 and beyond.

So, what gives us belief and optimism about our future in this business? We've got a very healthy price/mix balance, and that's delivering volume growth. We've invested a lot in technology, and we're becoming a much more data-driven insights business. Our customer portal will do close to €2.5 billion in revenue. So, one of the biggest portals globally of any industry. So, we're excited about that. Very solid allocation mindset around our capital returns. And obviously, we continue to invest in people who have a great passion, belief, and a growth mindset in our business.

We're also more diverse. So, we've unlocked that growth, particularly in markets like Philippines and Indonesia, Pacific Islands, and PNG, and that really supports that 4% midterm guidance on revenue.

So, that's a quick run-through of CCP. As I said, very excited about our half-year results for '24. Reiterated guidance. Looking forward to '25 with a lot of excitement. And clearly, we believe that that will also look at some more returns for our shareholders.

So, with that, I'll join Lauren and get into some Q&A.

Lauren Lieberman

Perfect. So, Damien, it's great to have you back at the conference after a few years. So, thank you for being here. And Ed, very nice to meet you, and look forward to putting you in the hot seat in the future. So, take notes.

So, maybe just to start after the sort of overview to get a little bit shorter term, if we can, and just maybe latest appraisal on European consumer environment, because it was very topical over 2Q earnings season and certainly continues to be a topic here.

Damian Gammell

So, I suppose I'll start with we're very comfortable with our guidance for this year on the revenue side. I think, in Europe, I think the mix of that revenue has been one of the challenges. I mean, if you look at our half-year results, good first quarter, a bit weaker in the second in Europe. Not going to give a weather report, but clearly that was a dynamic.

You were in Europe, I think, in August. So, I think you will have seen that summer did eventually arrive, and we saw the consumer respond to that. And I think that's kind of a short-term challenge.

I think what's probably more midterm and into '25 is that we do see consumers still responding to value. So, while inflation is coming down, we still see affordability being a key pillar of our strategy. And with that, you'll see in Europe, in particular, our promo focus more on value packs, better value communication. And I think that's going to be with us into '25, Lauren. I think while inflation is coming down, it takes time for that to filter through into consumers feeling that they can spend a bit more.

So, we're seeing it in retail, and I suppose what that means in the near term is you don't probably hear us in Europe talk a lot about mix. So, if you go back, typically our algorithm is a point of volume growth, pricing, and then a bit of mix. We don't see mix playing a role in the near term. That will change. And I think our packaging and our premiumization is still there. So, I think that's retail.

I think the other area that you're seeing it is away-from-home footfall is still a challenge in northern Europe. You can debate is that economic and weather. It's probably a combination of both. That will recover, but that has been a challenge.

And I suppose, for us, what we like is that despite that we can deliver that type of operating profit in the half-year, we can still deliver the revenue growth. And clearly, we're happier with what we saw in August, where we saw the consumers getting out again. Away-from-home came back. And obviously, volume responds.

For the rest of the year, I mean, September's a key month in Northern Europe. We've had a really good year in our other markets, excluding Indonesia. And then, obviously, it's Christmas in Europe. So, all to play for. And we've got a lot of innovation. We've got Oreo. We've got Beetlejuice and Fanta coming out. I'm really excited, we've got a big campaign on Diet Coke in GB, in particular, which is a market where I think we've underperformed on that brand. So, we're certainly not short of activation on volume going into the end of the year.

Lauren Lieberman

Okay. Great. And just in terms of list price, how should we think about –? I mean, you've spoken to the value-seeking behaviour, but you've been really measured and disciplined on realizing list price over the last several years now. So, how should we think about list price going forward and into '25?

Damian Gammell

So, we'll continue with the same program. I mean, we're in the market. Germany and the U.K., we're passing pricing this month. Again, we take a multiyear view on pricing.

We didn't price up as much as some other CPGs on the back of some of those commodity pressures. We took a longer-term view. We didn't want to lose shoppers or consumers, because the cost of getting them back is a lot more than you benefit in one year.

So, we've been typically in Europe at that low-single-digit price realization. We believe that allows our customers to expand our margins, and they've been doing that. So, we're really happy with that. But most importantly, we believe it keeps the brands price-relevant for the consumer. And I think growing transactions, growing volume. We've added about a million households in Europe, and I think we're excited about that.

So, pricing will remain. I think it's a good habit. If you get out of it, it's hard to get back. But I think pricing at a level that the consumer will respect is really important.

Lauren Lieberman

Okay, okay.

Damian Gammell

So, pricing in GB and Germany this month, and then we'll be back in the markets normal cadence in January.

Lauren Lieberman

Okay. Great. And if we stick with Europe for a moment, where do you see the biggest opportunities left from an execution standpoint on the long term? You're investing in manufacturing capacity, which you mentioned. And clearly, it means conviction in growth ahead. But I think it's helpful to maybe break down a bit more execution-wise; like, kind of what's most intriguing investments in capabilities or infrastructure to help unlock that?

Damian Gammell

So, I look at it kind of a couple of ways. I think on our core business – so, brand Coke, Coke Zero – I think the big opportunity there is Diet Coke, particularly in GB and Australia, as I talked to. I think we still have an opportunity on our Fanta. If you look at our market share, generally, on colas we're 60%, 70% value share. That drops to 25%, 30% on flavours. So, we clearly have an opportunity in execution on it on our flavour brands. I think innovations on Fanta flavours are working. The Beetlejuice Halloween activation will work. So, that will help.

And then if I move beyond that, I get really excited about brands like Powerade. So, when I'm in the U.S. or when I'm in Australia, that brand just plays a different role in our portfolio, and you don't see that in Europe. And yet, the consumer needs states are similar. So, I think Powerade is a brand that we can extract more value on.

We've got a good tea platform, with Fuze.

And then we're getting into categories that are not really reflected in our guidance, like alcohol ready to drink. We've seen the power of that category in Australia and New Zealand, with Beam. Obviously, we'd love to replicate that with Brown-Forman and on some of our other partners.

And then, coffee, we still haven't cracked the code. I mean, we've done some really good stuff on Costa and ready to drink. But beyond that, we haven't cracked that yet. So, we're working hard with the Coke Company, and that excites me. But again, it's not at a stage that I would reflect it in that 4%.

So, I feel good on our core and on some of those other brands and categories. That excites me. And then, there's still some optionality around alcohol, coffee.

Energy is still a massive play for us. It's still the fastest growing category. If you're in Europe now and you're standing at a supermarket or a convenience store, the biggest category is soft drinks. The next biggest category is energy. If you go back 10 years, it was water and juice, and you just see a big transformation.

And a lot of innovation. CELSIUS is coming to Europe. A lot of competition that's growing the category.

So, all of that gives us a lot of confidence in the forward.

Lauren Lieberman

Okay. Great.

Let's shift maybe to talk about the emerging markets footprint, and let's start with Indonesia, which you mentioned is sort of the one spot that's not so great at the moment. It's been a challenging market for many, many years, and there's some geopolitical dynamics at play currently. So, just kind of cut through those things. Are there green shoots that are showing you evidence that the strategies are working or starting to work? Or do you need to adjust, particularly on sparkling category relevance?

Damian Gammell

So, I mean, fundamentally, Indonesia's a great market for us mid-long term if you just look at the – as you said, if you read through the current challenges, which are obviously very challenging for lots of people to deal with, but you see *the demographics, the age profile, GDP growth, and stability. So, we think it's a great business, and we're really happy that it's in the family.*

When we look at – some areas of Indonesia are less impacted by those geopolitical dynamics. In those areas, we're growing high-single digits. And I think that gives us belief that the strategy that we've put in place works. And that's what we're committed to. And it'll turn, right…eventually, these things will turn.

What we've decided to do is to keep executing the strategy anyway, because we feel that that market deserves it and ultimately we will get the payback. So, we've just launched refillable glass back into Indonesia after a long absence. We've changed our packaging. So, we've gone from one and a half litre to one litre. We've put in an affordability play, which we believe is necessary and building on what we've learned from the Philippines. We've restructured the business. So, we've reduced a large number of roles. And we're changing our route to market from a very complex cost-heavy to a distributor model.

And that's happening now. And yet, we're not seeing the payback of that in today's sales report, for all the reasons we know, but ultimately that will change. So, we don't see any reason to wait. That business deserves that level of investment in change, and ultimately it'll come back.

And I suppose that green shoot is in areas of Indonesia, because it's a vast country with very different cultures and backgrounds. Where there is less of those external factors, we're seeing that high-single-digit growth. And I think that's important, particularly for our teams on the ground, because it gives them confidence and it gives us confidence.

Lauren Lieberman

Okay. Great. What's the role of refillables in that market? How does it fit in?

Damian Gammell

It's purely affordability. So, very much mirroring what we see in the Philippines. So, we know out-of-pocket span and absolute kind of price point is key. We have a 250-ml PET pack, at about 3,500 rupiah, and the RGB will come in slightly below that.

What is very interesting for us – again building on what we see in the Philippines – it'll be very much focused on that eating-and-drinking occasion, which when *you're in Indonesia, every street is just covered with small eating and drinking. And it's mainly a refillable opportunity. So, you drink it there and you give it back. So, the deposit isn't an issue. It's very much linked with food, and it's very price competitive.*

And I think our goal in Indonesia is to grow per capita as a sparkling, and that's where that happens. I mean, you can do it in-home. Obviously, QSR is important. But in those markets, it's those kind of everyday street food occasions, and we think RGB will play really well there.

So, it's very much affordability.

Lauren Lieberman

Okay. Great. And then, latest on tea, on the tea platform.

Damian Gammell

In Indo?

Lauren Lieberman

In Indo.

Damian Gammell

So, I think there's two elements to it. I think on flavoured tea, which is about 30% of the market, we're doing really well. We've got good products.

I think on a traditional, original tea, we're looking at reformulating what we have, and we're working with the Coke Company, where we're looking at a few formulations across the globe and doing some consumer testing.

So, on flavoured tea, we feel really good. On original tea, our product is not delivering what it needs to at the moment, and that's a change we make in '25.

Lauren Lieberman

Okay. Great.

Let's move on to the Philippines. So, first-half results really highlighted the benefits of geographic diversification, with sort of the growth in Philippines kind of offsetting some of these challenges in Indonesia. I think investors have *generally thought about the best practices that you can take from the Philippines and apply them to Indonesia, as you just referenced with the RGB. But what about the lessons from kind of elsewhere in the footprint that you can bring back to the Philippines?*

Damian Gammell

So, I mean, the Philippines, great business. As I talk about it, it's like a developed soft drink business in an emerging market. It's very different than anything you see in Asia. High sparkling per caps. Very different consumer behaviour around food, family, occasion. So, it really fits well with our brands.

I think one area that – we've already sent some of our best key account people to the Philippines. So, modern trade is about 30% of the business there. We do well there, but I think it's evolving very quickly. We've got big customers, big growth agendas.

So, I think a lot of the work we did in Europe around revenue growth management, data insights, price packaging, we're bringing that to the Philippines, and that's helping us kind of step up to that modern trade opportunity.

Technology, as you can imagine, that business for a while was not invested in, and one area that was weak was technology. So, we're bringing a lot of our platforms from CCEP, our sales force footprint, myCCEP.com, our portal. So, we can bring that, and that's kind of lift and shift. That's great.

And I think that we're also bringing a more, I would say, longer-term view around people and talent. So, we've got great people in the Philippines. We want to take some of that talent and move it around CCEP, and that's something that we're doing now at the moment.

And then, on the flip side, their route to market and their refillable strategy is exactly what we're doing now in Indo, because we see the benefits of that. It gives us – we were going in that direction I think when our team from Indo went to the Philippines after we did the transaction. You kind of can't beat being in the same company and hearing about it at that level, and I think they went back to Indo with a much, I'd say, more belief in that's the right way to go.

Lauren Lieberman

Okay. And then, I believe the goal is to improve operating margins in the Philippines to double digits from the, like, six-ish percent level in '23. So, how should we think about the timeline to get there? I think there were some one-offs that depressed profitability last year, but I'm guessing there were also other things that aren't so one-off.

Damian Gammell

"As quickly as possible" is my message to Gareth and the team if they're listening. We see a very, very clear journey to that margin structure. I think some of the CapEx we've put in has unlocked more top line growth. More glass. Over time, we see a lot of efficiencies in supply chain coming out of the Philippines. Probably some more plant consolidations, because it's quite fragmented. We're leveraging procurement at a group level more. So, we've got four or five very clear steps that will get us to that margin. Clearly, this year we're seeing volume play that role. We're getting leverage on the P&L on the back of that.

So, I think near term that's achievable. And then, obviously, we'll sit with Ed and the team and look at where do we go after that. But it's certainly ahead of our expectations, and you see that in the first half-year results. I mean, to be fair, Q1 '23 was a very tough quarter because of a sugar supply issue. So, the comps were favourable. But even if you strip that out, as a business it's ahead of where we thought we'd be.

Lauren Lieberman

Okay. Great.

And let's talk more broadly about operating margins. I know total company returned back to 2019 levels in the first half of the year, excluding the Philippines. When we look at consolidated gross margins, is it possible to see them move back towards that 2019 level, the kind of high 30s? So, just kind of curious on your thoughts on that.

Damian Gammell

Well, we spent a lot of time getting them to that level, as you know, from 2016. So, I certainly want to get back there. I think on our core business, apples to apples, we will get there. I think some of our new brand innovations like ARTD *have a different structure, right? But on our core kind of sparkling business in Europe, we definitely want to get back to 2019 margin.*

Clearly, what's getting us there is we're seeing a better outlook in terms of COGS and commodities. We're seeing pricing. We're not yet factoring in mix, but that will come, depending on that consumer dynamic that we talked about. And clearly, we've announced a productivity program of just over €350 million. A large part of that sits in the gross margin line.

And I think all of those together gets us back to 2019 gross margins on that like for like. As I said some of the new categories have a different dynamic but are still very small in terms of our mix.

Lauren Lieberman

Okay, okay. Free cash flow. So, free cash generation, a key priority of the company. And the current algorithm calls for at least €1.7 billion per year. And I think you should get back to your target leverage ratio a year early. So, with that in mind, how do you think about capital allocation beyond 2024?

Damian Gammell

So, we've been passionate about free cash flow since day one. I think it's served us well. As you know, we changed our management incentive plans to include it. I think that was – if I look back at the history of CCEP, you kind of pick moments when you think that was a decision that we didn't expect to have such an impact, but it has. It gives us great optionality.

So, as we look today, as you said, we're well ahead of our expectation on our net debt. So, that's great. We'd be below that 3x, 2.5x to 3x. We're going to stick with that range. We're comfortable with that.

We're very keen to acquire more bottling businesses. We still believe we can add value to the Coke Company. Being pragmatic, in the near term, there's not a lot of for-sale signs around anywhere. So, that's probably a few years out, but we'll keep looking.

And then that gives us the choice with our board to review by the end of this year what do we want to do with excess cash in '25. Historically, we have returned cash via share buybacks. So, absent M&A, that's been our primary way of returning cash to shareholders, and that's something we'll probably look at again in '25.

Lauren Lieberman

Okay.

Damian Gammell

More to come.

Lauren Lieberman

And when you talk about additional geographies, more bottling businesses, even though there's nothing for sale, you've shown with Indonesia and Philippines and Amatil, we'll say broadly, the distance isn't a factor. But is there a point where you start to think about the logic of adding territories? Would it need to be more Southeast Asia-centric to keep the sort of spans of control and operation?

Damian Gammell

I mean, I think we're confident in operating where we are. I think we're also humble enough to know that there's a limit sometimes and that you've got to be pragmatic. And I think we've kind of created two hubs now: we've got an Asian business and Europe. And I think any M&A, for me, would probably have to at least sit within that framework.

I mean, clearly, we'd look at any opportunity. I know John and James probably get a copy of this. So, that's why I mention it. We're always open-minded, but from a value creation perspective, that adjacency is key. So, I think we'd look.

But honestly, Lauren, I think we've done really well with the Philippines and Amatil. I don't see a lot of territories that other bottlers are willing to sell. I think the bottling business now is much in demand. So, trying to find assets, I don't see too many.

Lauren Lieberman

Okay. Let me ask the latest, if I may, on the FTSE index inclusion, just how conversations with stakeholders have been going, any updates you can offer us.

Damian Gammell

So, conversations have been going really well. I think everybody was somewhat *relieved when we got the clarity from the FCA, because we've been waiting for that for quite a while. And I think they've laid out a very pragmatic set of rules that meet their objective of making the FTSE more attractive. We see that when we read them. We have a board meeting next week in Atlanta. We'll have our kind of final conversations with our directors around those rules. But I think, broadly, they've achieved what they wanted to achieve, which is to open it up to businesses. And I think they've talked openly that CCEP is a business that they would like to attract onto that premium listing.*

So, the good news is we've got clarity. I don't think there's any surprises in the rules. I think they serve the purpose that they were intended. And our directors, in consultation with our shareholders, will make a call on that. And next week is our board meeting. So, good timing.

Lauren Lieberman

Okay. Great. I'm going to squeeze in one more. So, just some industry-level questions. So, Britvic, Carlsberg, I think it's going to be interesting to see what that translates into in terms of the PepsiCo portfolio in GB. And it's one of their stronger markets outside of the U.S. So, I guess, how are you thinking about the potential this shakeup could create in the market, both GB and also longer-term implications, if Pepsi continues to make changes in that route to market in Europe?

Damian Gammell

I mean, I think it's somewhat reassuring that a big brewer wants to allocate so much capital to soft drinks. So, I think that gives us confidence we're obviously in the right category.

I think, to be fair, Britvic have been a really good competitor for many years. They've run a great business in GB, very competitive. So, I think it's a business that is in good shape. And clearly, we've run a number of scenarios of what it could mean. I do think ultimately it shows the kind of attractiveness of bottling as a business. whether it's a Pepsi bottler or a Coke bottler. And I think how that will play out will be interesting.

But for us in GB, we've been dealing with a really strong and good competitor. I think that will obviously continue with Carlsberg. It will be interesting what it means for some of their Coke franchises. So, we're curious to hear more about *that whenever that comes out. But obviously, Denmark and Finland is with Carlsberg on the Coke side. So, that's unusual.*

And I suppose ultimately when we heard the announcement, we think it's a demonstration of the belief in soft drinks, and for us that's a positive.

Lauren Lieberman

Okay. And maybe it creates more opportunity for you in other markets.

Damian Gammell

And I think, obviously, there's a lot of beer players in GB who will now look to partner with us. So, I think there'll be some short-term opportunities in that space as well. Because clearly, when you can combine two brands, obviously, they've got competitors on the beer side. We're not in beer. So, we're happy to work with everybody. So, that's a benefit.

Lauren Lieberman

Okay. What do you think the implications of the – it took my brain to thinking about the ARTD as well. I know it's early, I know it's small. What do you think are some of kind of the key unlock to – because both combination of category relevance, and you can share across some of your Western European markets the range of how significant the category is, let alone your own share within it, and how you would step-change that.

Damian Gammell

So, I think if I go – I mean, we inherited a great business when we bought Amatil in Australia and New Zealand with alcohol ready to drink. At the time, we didn't have ARTD on our kind of mindset as being a category that the system would enter into. But with that, we got a lot of capability. The per capitas of that category are the highest in Australia. So, we got a lot of internal learning. And obviously, we're now partnering with Brown-Forman and Absolute.

I think what we're seeing is taste. Nothing beats taste. And I think the product formulations are great. I think there is a benefit of having branded alcohol and soft drinks compared to a cola or a whisky.

And I think having a range is going to be important. So, what we've seen in Australia is having four or five propositions that build that scale, and that's what we're working towards in Europe.

And I think some of the consumer dynamics – convenience; as I said, taste; price – I think they'll play a role in building the category in Europe.

So, again, it's something that it started better than we expected in Europe. Next year, we'll exit our Beam relationship. So, there'll be a bit of a headwind near term in Australia and New Zealand. But then with the Coke Company, I think they're working on some great brand partnerships.

So, for us, it's a great category. It's all single-serve. It's cans. Same route to market. Same customers. Profitable. So, in that 4%, clearly, it's not in there yet.

Lauren Lieberman

And is awareness something that gets built by, like, in-store and availability? Or is it more targeted marketing?

Damian Gammell

It's both. I think when you go to some of our markets now, I think what we've brought to that category is that passion for execution; so, coolers, front-of-store, good displays. So, that definitely just brings the category off what I think was a fairly weak shelf position. So, lots of SKUs didn't really stand out. And I think when you want to build a category or brand, you've kind of got to get it off the shelf and give it front-of-store, and I think that's something that we've just been able to bring to the category.

Lauren Lieberman

Okay. Great.

Damian Gammell

We just need a few more SKUs to build it out, and that's what we're working on.

Lauren Lieberman

And then we can add it to the growth algorithm here next year.

Damian Gammell

You can ask Ed. He'll be here next year.

Lauren Lieberman

Okay. Well, please join me in thanking CCEP for being here..

Damian Gammell

Thanks, Lauren.