Coca-Cola Icecek

CONFERENCE CALL ON CCI'S RESULTS FOR THE 2Q OF 2024

Moderator:
Ladies and gentlemen, thank you for standing by. I would like to welcome you and thank you for joining the Coca-Cola Icecek conference call and live webcast to present and discuss the 2024 second quarter financial operating results. We are here with the management team and today's speakers are the CEO, Mr. Karim Yahi, and CFO, Mr. Erdi Kurşunoğlu. Before starting, I would like to kindly remind you to review the disclaimer on the webcast presentation. After the call, there will be an opportunity to ask questions. I would now like to turn the call over to Ms. Çiçek Özgüneş, Head of Investor Relations and Treasury. Madam, the floor is yours, please go ahead.

Çiçek Özgüneş:
Good morning and good afternoon, ladies and gentlemen, and thank you for joining us. As the operator said, I'm here with our CEO, Karim, and CFO, Erdi. Today's remarks will be accompanied by a slide deck. We will then turn the call over to your questions. Before we begin, please kindly be advised of our cautionary statement. The conference call may contain forward-looking management comments, including projections. These should be considered in conjunction with the cautionary language contained in our earnings release. A copy of our earnings release and financials are available on our website as usual. In addition, in accordance with the decree of the Capital Markets Board, our second quarter financials are reported using TAS29, financial reporting hyperinflationary economies. The financial figures in this presentation and all comparative amounts for previous periods have been adjusted according to the changes in the general purchasing power of the Turkish Lira in accordance with TAS29 and are finally expressed in terms of the purchasing power of the Turkish Lira as of June 30, 2024. However, certain items from our financials are also presented without inflation adjustment for information purposes. These unaudited figures are clearly identified as such. Also, our 2024 guidance is given on an organic basis and without any potential impact from the implementation of TAS29. Following the call, a full transcript will be made available as soon as possible on our website. Now, let me turn the call over to Karim.

Karim Yahi:
Thank you, Çiçek. Good morning and good afternoon, everyone. Thank you for joining CCI's second quarter results' webcast.
Before diving into the specifics of our half-year results, I want to take a moment to reflect on the bigger picture.
At CCI, we operate in a volatile geography that presents significant opportunities for us. We are focused on delivering on short-term priorities while executing with a long-term perspective. We drive NARTD consumption growth by investing ahead of demand, increasing household penetration, adapting to changing consumer behaviors, remaining consumers' preferred choice of beverage, and customers' best partners. Our North Star is to deliver in line with our quality growth algorithms, which means over time EBITDA growth faster than revenue growth, revenue

growth faster than transactions growth, and transactions growth faster than volume growth.

We are confident in the opportunities that lie ahead of us and in our ability to capture them. Therefore, before we begin, I would like to thank all my talented colleagues at CCI for their unwavering dedication and hard work in bringing to life our purpose of creating value in everything we do.

Our second quarter performance was another testament to the resilience of our operating model and the strength of our people. Despite the external challenges, our focus on quality growth and operational excellence has enabled us to navigate this volatile environment effectively.

In the second quarter of 2024, CCI's consolidated volume was up by 0.7% compared to the previous year, reaching 451 million unit cases and transactions improved by 2.9% year-on-year. This was made possible by the 289 basis points year-on-year improvement in the share of immediate consumption packages, on top of 133 basis points improvements recorded in the second quarter of 2023.

From a country perspective, we are happy to see that robust performance of Iraq and Azerbaijan continued and Türkiye maintained its growth trajectory. In addition, Pakistan posted a relatively better volume generation compared to the previous four quarters. From a category standpoint, CCI continued to diversify its positioning between sparkling and the steels category, in line with our strategic direction. And from a channel perspective, our share of volume in on-premise has increased by 53 basis points year-on-year, on top of 107 basis points surge realized in the second quarter of 2023.

In the second quarter of 2024, we have recorded a consolidated revenue of 36.6 billion Turkish Lira. This was coupled with a 487 basis points expansion in gross profit margins and 104 basis point improvement in EBITDA margin year-on-year. Our earnings per share was $0.66 in the quarter, showcasing our ability to deliver strong operational and financial performance despite volatility and uncertainty.

I'm also happy to see that we have broken new records in our financials in the second quarter. Accordingly, we have reported $2.58 net sales revenue per unit case, an impressive EBIT margin of 20.4% and $0.53 EBIT per unit case, excluding inflation accounting. All these three numbers mark the highest levels attained in the second quarters over the last decade.

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Following the 3.2% year-on-year volume decline recorded in the first quarter of 2024, CCI's consolidated volume in the second quarter of 2024 increased by 0.7% year-on-year, reaching 451 million unit cases. Excluding the impact of our newest operation in Bangladesh, CCI's organic volume was down by 1.7%. Organic volume decline in the first quarter of 2024 was 4.1% year-on-year.

Sparkling volume slowed down by 1.6% year-on-year in the second quarter of 2024. Skills volume continued its remarkable performance with 11.6% year-on-year improvement. Fuse Tea grew 16%. Adult sparkling category, which includes Schweppes, grew 7% year-on-year.

In addition to the improvements in category mix, immediate consumption packages continued its upward trajectory in the second quarter of 2024 as well, with a 289 basis point year-on-year increase, reaching 29.1% on top of 133 basis point improvements recorded in the second quarter of 2023. From a channel perspective, volume share of the on-premise channel increased by 53 basis points, cycling 107 basis points year-on-year growth recorded in the second quarter of 2023.

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In the second quarter, Türkiye recorded 169 million cases sales volume with 1.8% year-on-year increase. This growth was mainly driven by effective trade promotions and active consumer marketing with the UEFA Euro Cup activation. This was somehow mitigated by the fact that Ramadan moved into the first quarter this year, while it was in the last year's second quarter base.
In Türkiye, we have recorded 6% year-on-year growth in Adult Sparkling Premium category, including Schweppes, 27% year-on-year surge in Fuse Tea, 208 basis point year-on-year rise in the share of traditional trade, and 155 basis point year-on-year improvement of immediate consumption package share, reaching 33%. Our continued focus on quality mix supported both our net sales revenue per unit case performance and our profitability.
In the end, we have realized 61% year-on-year increase in net sales revenue and 58% improvement in net sales revenue per unit case, excluding inflation accounting. This growth is attributable to effective revenue growth management actions in conjunction with closely monitoring consumer purchasing powers and the expansion of traditional channel shares.
Apart from quality mix management initiatives, well-managed cost base also supported profitability, and hence we have realized 716 basis points year-on-year jump in EBIT margin in the second quarter of 2024, reaching 14.7%. Improvement in the cost base was achieved on the back of successful hedges and favorable spot prices for the unhedged portions.
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During the second quarter, international operations recorded a growth of 0.1% year-on-year, following 7.2% year-on-year decline realizing the first quarter of 2024. Pakistan operations started to post better volume performance compared to previous four quarters. Iraq and Azerbaijan continued to deliver strong results with 15.1% and 11.5% year-on-year growth, respectively. On an organic basis, i.e. excluding Bangladesh, second quarter volume was down by 3.7% year-on-year.
In addition, our mixed improvement strategies continue to yield positive results in international operations too. The Energy drinks category almost quadrupled, and Adult Sparkling Premium category including Schweppes posted 28% year-on-year improvement. IC share in international operations also surged by 365 basis points year-on-year on top of 191 basis points year-on-year expansion realized in the second quarter of 2023. In addition, the share of on-premise channels further advanced by 46 basis points year-on-year.
In international operations, due to the purchasing power adjustments with TAS 29 of the second quarter of 2023 to make it comparable with the second quarter of 2024, net sales revenue declined by 7.1%. While without the impact of TAS 29, 62.2% growth is recorded. Special focus on quality mix positively impacted our net sales revenue in international operations. While due to macroeconomic challenges, price increases were either delayed or limited in certain markets. Nevertheless, international operations delivered $2.4 net sales revenue per unit case up by 4.6% versus same period last year.
On the other hand, we have recorded 241 basis points EBITDA margin contraction year-on-year mostly due to the delayed price increases I mentioned.
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Kazakhstan sales volume slowed down by 10.2% year-on-year. In the previous years, we had a summer stocking practice to keep up with high demand and capacity constraints but this year, with the opening of our new greenfield in May, we have stopped that practice. As a result, our volume generation was impacted from the lack of summer stocking as well as foreign consumers moving back to their countries. Despite softer volume performance, our volume share in sparkling category has increased by 40 basis points year-on-year as of June end on a 12-month trading basis versus prior year. We are very proud to have opened a new plant ahead of summer as it will not only help with inventory management and capacity but also create savings thanks to reduced distribution expenses, faster delivery and better execution in the market while generating higher production efficiency.

In the second quarter of 2024, Uzbekistan sales volume was impacted by the introduction of excise tax as of the 1st of April and high base of the same period last year. Accordingly, our volume declined by 6.6% year-on-year, cycling a robust 25% growth realized a year ago. Product execution in the field continued to deliver strong results with outlet penetration reaching 77.3% versus 66.8% a year ago. In addition, share of on-premise channel increased by 784 basis points year-on-year to 19%, the highest figure ever. We are a big believer in the potential of Uzbekistan with its low per capita consumption, favorable demographics and growing economy. Therefore, short-term setback does not discourage us. We continue to focus on doing what we do best and that is growing per capita with our strong brands and excellence in execution.

Following the 22.8% volume decline in the first quarter of 2024, Pakistan now recorded only 5.1% slowdown in the second quarter of 2024 versus prior year as a result of a better macroeconomic environment and our commercial actions. Macroeconomic challenges continue to impact consumers' daily disposable income and affordability concerns affect shopper preferences, yet the recent signing of a $7 billion aid package deal with the IMF fosters cautious optimism for the rest of the year. In this context, we have posted 288 basis points year-on-year improvement in IC shares, demonstrating again our strength in daily execution.

Now I will leave the floor to Erdi for the financial review.

Erdi Kurşunoğlu:

Thank you, Karim, and welcome all to our webcast.

In the second quarter, our net sales revenue, I'll call it NSR from now on, reached 36.6 billion Turkish Lira. Excluding the impact of inflation accounting, NSR grew 61.6% year-on-year in Turkish Lira terms thanks to our continued focus on quality mix and as both adult premium category continued its strong growth momentum and higher revenue-yielding packages and channels grew faster than others.

Our consolidated EBIT margin is up by 104 basis points, reaching 18.8%. While without inflation accounting, EBIT margin year-on-year improvement was 35 basis points, reaching 20.4%, which is the highest among second quarter EBIT margins within the last 10 years. The expansion in EBIT margin was mainly assisted by the expansion in gross profit margin, which mostly came from Türkiye, where we benefited from stronger TL and favorable hedge rates.

Consequently, net profit was recorded as 5.4 billion Turkish Lira in the second quarter of 2024 versus 4.5 billion Turkish Lira last year's same quarter. And our earnings per share in dollars was 0.66 in the quarter. Although net financial expenses were higher year-on-year, which is due to the rise in interest rates and higher share of local currency borrowings, the strong growth in operating profit and monetary gains supported bottom line.

Without inflation accounting, net profit grew by 63.4% in TL terms, reaching 3.9 billion TL, and

dollar EPS surging to 0.5 level, up by 5.4% year-on-year.
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On a per unit case basis, our NSR growth was down by 7.6% in TL terms, reaching 81.1 TL. While without the impact of inflation accounting, NSR/uc growth realized as 60.4% year-on-year.
And in dollar terms, NSR per UC has reached $2.58, which is the highest among the second quarters of the last decade, and also implying a growth of 3.6% year-on-year.
With smart procurement measures, we managed to contain our COGS per UC growth well and recorded 14.3% year-on-year decline in the second quarter of 2024.
As a result, our EBIT/uc is slightly down by 2.2% in TL terms, while without inflation accounting, it is up by 63.2%. In dollar terms, EBIT per unit case has reached 53 cents, the highest among the second quarters of the last decade.
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In the second quarter, we continued to win with our proactive approach in procurement and also started to gain increased visibility for 2025 too.
In markets where sugar can be hedged, namely Iraq and Jordan, we covered 100% of our sugar need for 2024 and 69% for 2025. In the other markets, we mostly completed our pre-buys for this year, and right now our total sugar coverage corresponds to 94% for 2024 and 6% for 2025.
Similarly, for the aluminum and resin, we have covered nearly 88% and 98% of 2024 needs respectively. In addition to that, we have already have 40% coverage in aluminum for 2025.
Looking at the commodity exposure for 2024 and 2025, we are comfortable at the current hedge rates and coverage. We continue to monitor markets closely to be ready to add further coverage if needed.
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The growth in our operating profitability was marginally impacted by volume growth, while our delicate price increases and trade investment in the high inflation environment with continuous consideration of consumer affordability resulted in a net negative impact from pricing. Thanks to our effective procurement efforts, we have managed to contain raw material costs well this quarter and therefore have realized significant improvements at gross profit level. This was the biggest contributor to operating profitability. Consequently, EBIT margin improved both with and without inflation accounting, and we have recorded 104 basis points year-on-year EBIT margin improvement, reaching 18.8% in the second quarter of 2024, whereas without inflation accounting, the year-on-year improvement is 35 basis points and resulting in 20.4% EBIT margin, which is the highest second quarter EBIT margin within the last 10 years.
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As a result of our tight financial policy, our balance sheet remains to be strong and flexible.
Our net debt is 642 million US dollars, which is only 0.9 to our EBITDA, and is slightly up from 0.8 times of 2023 end due to Bangladesh acquisition.
Our short FX position after net investment hedge is at a very thin level of 19 million dollars.
Thanks to the proactive debt management, the average maturity of our debt is three years, and 43% of our current debt is scheduled to be paid within 2027 to 2030. We have an upcoming

maturity of our 2024 euro bond next month, and its financing is already secured. Once it's paid in mid-September, our average debt maturity will increase to 3.6 years, which creates an additional comfort zone to manage and plan our liquidity in the globally volatile monetary conditions.
We will continue to be prudent in financial management to maintain healthy balance sheet and strong liquidity position.
Now back to Karim for his closing remarks.

Karim Yahi:
Thank you, Erdi. For the closing remarks, I would like to remind you of our playbook, which is our formula for winning in our markets. As I had previously shared with you in earlier webcasts, our playbook is our key to capture opportunities in the market and create sustainable value in the countries where we operate.
Last time, we covered the first item, investing ahead of demand, and you can access it on our investor relations website.
Today, I'd like to take you through a deeper explanation about the second item in our playbook, our route to market. Around the globe, you'll see bottlers mostly operating with either direct distribution or through wholesalers in fulfilling the market demand. With a direct distribution model, a bottler has full control over how the products are shelved and how they reach shoppers. On the flip side, the entire capex and opex of logistics create a significant burden on the books. With a wholesaler model, on the other hand, a bottler does not control how to reach shoppers, but ensures consistent mass delivery. Now, depending on the maturity and channel structure of the market, both models make sense in a developed market with a high share of modern trade, ensuring uninterrupted bulk delivery is necessary, while in an underdeveloped market or in a developing market with heavy concentration in small mom-and-pops and traditional trade, being present in the outlet and ensuring higher frequency is paramount.
As CCI, we have a unique route to market model where we combine the best of both worlds. We work with independent third-party distributors who are partners to CCI in the NARTD industry. Thanks to our partners who have significant expertise in their operating areas, we have a strong foothold, thereby touching every quarter of the country. With our dedicated distributors, CCI improves outlet penetration rapidly and delivers best-in-class service to customers and shoppers, as the local CCI distributors comply 100% with CCI's demand planning and policy and trade marketing plans, as well as our sustainability commitment and work ethics. In addition, our distributors carry most of the capex of building warehouses, truck fleets, and have the sales and delivery personnel under their opex.
Approximately 80% of our sales volume goes through our distributors, and the remaining is fulfilled directly by CCI. When we enter a new geography, initially, we analyze distributors' candidates, create partnership agreements, invest in capability building, train the teams, and download CCI's way of serving our customers.
Looking ahead, we'll continue to be the best-in-class in the market where we operate via executing with our first-class quality distributors.
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Last, but not the least, we would like to share our view on the remainder of the year.
Looking ahead to 2024, we remain cautiously optimistic, but are revising our full-year volume and

revenue guidance to better reflect current consumer sensitivities and ongoing macroeconomic challenges.

Looking at the first two quarters and the performance quarter to date, we revised our full-year guidance from mid-single-digit growth to flat-to-low single-digit growth. This revision is made on the back of lower purchasing power expectation and cautious consumer sentiment. The lingering economic challenges, combined with sensitivities resulting from the ongoing conflict in the Middle East, are impacting consumers' purchasing power and preferences.

As you know, as CCI, we are committed to creating value through investing ahead of demand in our geographies, executing effectively in the store, implementing revenue growth management actions, and robust marketing plans. In order to find the optimal balance between volume and value growth, we are cautious in taking price increases in this macroeconomically challenging environment, and we rely more heavily on the other revenue growth management actions to deliver top-line growth. With revised volume guidance and slower-than-initially-planned price increases, we also revised our ethics-neutral net sales revenue growth guidance to low 30% growth from low 40% growth.

Despite lower volume and our cautious stance on price increases, we will put relentless efforts to deliver in line with our previous EBIT margin guidance of flat versus prior years. Despite high inflation in Türkiye and Pakistan, our smart pricing, our cost management, and our diligent OPEX spending will support us in delivering our profitability targets.

We do, however, see a risk of a slight decline in EBIT margin versus prior years if the operating environment deteriorates further. Incorporating this potential risk to our guidance, we amend our EBIT margin guidance as slight decline to flat versus last year.

Now we will be happy to answer your questions. Dear Closir Agents, over to you, please.

Moderator:

Thank you very much for the presentation. We will now be moving to the Q&A part of the call. If you are dialed in via the telephone, please press star 2, that's star 2 on your keypad for any questions. You may also ask a voice or a text question if you are dialed in via the web. We'll give a moment or two for any questions to come through. Okay, our first question comes from Ms. Evgeniya Bystrova from Barclays. Please go ahead, ma'am. Your line is open.

Evgeniia Bystrova:

Yes. Hello. Thank you very much for the presentation. I have a couple of questions. So my first question is on your net sales revenue, including inflationary accounting. So it looks like volumes are broadly flat in second quarter, however, revenues were down. So does this mean you experience some pricing pressure or is it the slower price increases or just the change in the product mix impact and how should we think about it in the second half of the year? And also just in general, if you could please provide some more color on different regions outlook performance for the second half of the year, that would also be very helpful. Thank you.

Karim Yahi:

Thank you for the question. On the first part of your question about net sales revenue…So if you look at our second quarter, our net sales revenue per unit case in dollars overall consolidated has increased by 3.6%, you know, reaching $2.58. Now, if you think about the current inflation in all our territories right now, it is approximately in the 3% range. So our focus, as I explained earlier, has been to stay close to consumers in this hyperinflationary environment, yet look for other ways to create net sales revenue growth. For instance, we have focused more on the other pillars of revenue growth management in order not to rely only on price increase. What were the biggest areas of focus? Things I mentioned earlier, number one, category mix, number two, channel mix, number three, package mix. Let's look at each one of them. On the category mix, as we have increased our focus and accelerated our push on adult categories, including Schweppes, on the energy category, on some of the steel categories, we have been able to create good net sales revenue per unit case without taking price. Same thing with channel, the on-premise channel, our performance in on-premise channel, and our push in the on-premise channel has also helped us to create better net sales per revenue in the quarters. And last but not the least, our IC push, again, has significantly helped us to accelerate net sales revenue and profitability. When you combine all this, you actually see that we have stayed very cautious about taking price in the market, and we have been able to leverage the fact that inflation had slowed down in our market overall in order to be able to create net sales revenue per unit case growth and profitability growth. In the second part of your question about outlook for the rest of the year, we don't disclose by region, but obviously we have three things that are happening right now. One is there is a lingering macroeconomic challenging environment. If you think about Türkiye, if you think about Pakistan, the biggest operations for us, think about the compounded effect of inflation that started in 2018. And when you compound all this, you actually find that our consumers are under significant pressure, again, because of the compounded effect of inflation over the past few years. That translates into an erosion of purchasing power of our consumers. This is the second piece, and that basically is translating into a lower consumer confidence overall. The third piece is the impact of the ongoing war in the Middle East, which is also adding sensitivities to our consumer preferences. So when you combine all three, you realize that the upcoming months are going to be challenging and we will focus on what we can control and what we can influence, which is how we execute in the market. How do we push to create net sales revenue per unit case without necessarily taking price increase? Again, focusing on mix, focusing on the channel mix, on fact mix, on category mix and. In order all this in order to continue to create sustainable value for our shareholders and for our investors.

Evgeniia Bystrova:
Thank you very much. I have a few other follow up or other questions. We also saw an increase in CapEx to sales ratio in the first half of the year at 8.5. I think it's a bit higher than your previous guidance of from 6 to 8 percent range. So what should we expect in the second half of the year? Also, the new IFC loan. Could you please explain what is the maturity or the terms in terms of amortization interest rate on those? Thank you.

Karim Yahi:
Sure, absolutely. Thank you for these two great questions. So, number one on the CapEx over revenue, well, this year we have opened already a few greenfields and, you know, back to our philosophy at CCI to invest ahead of demand. We have opened a new green field in Uzbekistan, we have opened a new green field in Kazakhstan and we have broken ground in Azerbaijan. So all this combined is basically adding up to seeing a higher CapEx over revenue overall for this

year versus prior years. Now, we don't look at this, you know, first half versus second half. We look at full year numbers for this because of different timelines. But that is the explanation. So creating capacity ahead of demand in our market. So that's number one. Regarding the IFC loan, I will just give you the big picture and then I will ask Erdi our CFO to share more details. This IFC loan, I'm very proud of what the team has done here. This is financing projects that will make us better corporate citizens in the markets where we operate in our pursuit of our 2030 commitments that you can find on our website, but basically to help us in our water replenishment project, in our energy conservation project, as well as closing the gap on gender diversity. So very holistic. And again, working towards delivering our targets towards our 2030 commitments, I'm going to turn it over to Erdi to share more details about maturity of the loan.

Erdi Kurşunoğlu:
Yes. Thank you for the question. The IFC umbrella loan is for four markets, Türkiye, Uzbekistan, Iraq and Tajikistan. As Karim mentioned, it's sustainability linked and the overall loan is for six years with one year grace and five years of prepayment period.

Evgeniia Bystrova:
Thank you very much. Appreciate your answers. Thank you.

Moderator:
OK, thank you very much. Our next question comes from Mr. Maxim Nekrasov from Citi. Please go ahead, sir. Your line is open.

Maxim Nekrasov:
Yes, thank you very much for the presentation and opportunity to ask the question. So the first question is, what volume trends do you see so far in the two months of this quarter, if possible? And the question about the guidance. So a fixed neutral growth guidance has been cut by about 10 percentage points and volumes were cut by a few percentage points. So it means to a large part, the cut is driven by slower price increases. So I wonder in what particular markets you see a higher price sensitivity and whether the slower price increases are related to more intense competition?

Karim Yahi:
Thank you for the question. Look, we don't disclose quarter to date numbers, but I'm going to speak to what we have in Q2. Again, in Q2, we have seen the culmination of a few years of higher inflation decelerating, yes, but cumulatively significantly impacting the purchasing power of consumers. So, think about Türkiye, last 12 months, trading inflation is around 60%. Prior years, same period, 12 months trading was around 80%. The previous year was 100%, etc. If you do the math and cumulate all this, you know, back to 2018, you end up with a 7x cost of living. I could do the same math, you know, for Pakistan and it would be a 2.5x higher cost of living, you know. So again, this is long term macroeconomic trend that is not going to reverse, you know, over a quarter to date. Again, that is the playland. Things are improving macroeconomically, yet it cannot be considered in isolation of the cumulative impact of the prior years of inflation. So that's one. Regarding the second part of your question, pricing for us is one tool to create revenue. And

again, it's very important to stick to the playbook on how we create revenue in a sustainable economy in the beverage industry. We have, again, really a few things to play with, nevertheless, all are important. Mixed management, again, category mix, pack mix, channel mix, think about even country mix. Then we have all the deductions from revenue, anything between gross revenue and net revenue, but basically all the trade discounts and all the work that we do to support our customers in the field. And then you have SKU prioritization and the portfolio in general. So pricing is always the last thing we do in order to be sure that we remain competitive, in particular in today's environment. As I mentioned earlier, because overall inflation has slowed down overall in our markets, it gives us the opportunity to create revenue without necessarily taking price. So, of course, competition is one aspect of it, but purchasing power of our consumers is the most important in that decision. When we want to create a sustainable business, we need to always balance the generation of revenue. Between all those different tools that we have and not only rely on pricing. And that is what we are doing, and I shared some of the details earlier, but again, think about what we have done with category mix to accelerate the higher net revenue per unit case portions with adults, beverages, with energy, etc. Think about channel mix to accelerate a profitable channel like on-premise restaurants, hotels, cafes. Think about IC, our ability to recruit new consumers. Create better net revenue per unit case and create better margins. All this coming together is how we create net revenue growth again without taking price.

Maxim Nekrasov:
Thank you. Thank you very much. May I follow up on the guidance on margin this time? So despite higher margin year-on-year in the first half, you slightly amended your full year margin guidance. So do I understand correctly that it is driven rather by slower price increases than cost issues or you expect pressure on cost side as well in the second half of the year?

Karim Yahi:
Look, you know, it's actually driven by the combination of the of years of macroeconomic challenges, the current situation in which our consumers are finding themselves, which is decreasing their confidence into the future and the unknown about the ongoing conflict in the Middle East. Our base case is to keep our margin flat versus prior year. However, as you may guess, we're focusing on controlling our own operations and have no control over the outside environment. So, the external factors such as macroeconomic challenges, consumer confidence, and the market are beyond our control. If consumer confidence and the ongoing conflict in the Middle East further deteriorate, then we may face a slight decline in our margins. And that's why we wanted to be responsible and prudent. And share this updated guidance with yourselves and our investors.

Maxim Nekrasov:
Understood, thank you very much.

Moderator:
Thank you very much. Our next question comes from Mr. Gustavo Campos from Jefferies. Please go ahead, sir. Your line is open.

Gustavo Campos:
Hi. Thank you very much. Congratulations on the resilience results and credit profile. And yes, I appreciate the caller on the macro backdrop. It was very clear, very insightful. Just have a couple of questions on my end. The first one, what would be the, would you by chance have like a pro forma total debt stack amount of debt after the refinancing? That would be helpful. First question, thank you.

Erdi Kurşunoğlu:
Thank you. At the moment, we are running at 1.4 billion and after the debt payment in September, it will be around 1.1.

Gustavo Campos:
Okay, perfect. Yeah, thank you. Thank you very much. And also just, just to clarify, perhaps like geographically, could we say that your EBIT margins, I mean, again, as you mentioned, they may decline on the back of external factors if we see some deterioration, but geographically, could we see more profitability support in other markets outside of Türkiye, for example, Kazakhstan and Uzbekistan, where inflation has not been as much as a concern as in other markets, like, for example, Türkiye and Pakistan, as you mentioned? Would that be a correct assumption here?

Karim Yahi:
Look, overall, our margin between Türkiye and international operations is actually shared in our earnings release. So you will see the details there. But overall, the opportunity we have in our market is we do have a good portfolio of countries that some have higher per capita versus lower per capita. Some have higher GDP per capita, versus others. And at the end of the day, you actually translate that into our margins. So if you think about our international operations, we have posted a 20 percent overall EBIT margin in our, in our international operations. And if you think about, Türkiye, for example, in the second quarter with the same standards, the EBIT margin was 14.7%. So if you think about it, we have actually a very somehow healthy portfolio that actually allow us not to be dependent on one region or one country only.

Gustavo Campos:
OK, perfect. Yeah, that clarifies. Thank you.

Karim Yahi:
Thank you.

Moderator:
OK, thank you very much. Next question comes from Hanzade from JP Morgan. Please go ahead, Ma'am. Your line is open.

Hanzade Kilickiran:
Thank you very much, Karim and Erdi, for the presentation. I have three questions, two of them are follow up, actually. I just want to make sure that I understand correctly. The first question is

about your volumes. Do you continue to see pressure from protests against U.S. products in Türkiye and also other markets? And if that is the case, how much of your volume weakness would be related to these protests? The second question is about the pricing. I know you talk about this a lot, but I mean, is there any tracking? And what would be your normalized NSR per unit case on a consolidated level? It's now close to around like two and a half dollars. I mean, do you still see growth in the second half in this metric? Or you also see some decline in NSR per unit case in the second half? And the third one is about the competition. Does competition also follow, I mean, sizable promotions in the market to manage the volume in all your markets or they have not participated yet? And this may create a more competitive environment in the second half. Thank you.

Karim Yahi:
Thank you for the good question. So, number one, we are observing more sensitivity in certain communities where we operate. Again, how to separate the overall sensitivity from the macroeconomic. Challenges is anybody's guess, but yes, we are observing more sensitivity in certain communities where we operate. And yes, this has been compounded by lingering macroeconomic challenges such as the high levels of inflation or the cumulative impact of the high levels of inflation over the past few years. And therefore, consumer confidence declining and purchasing power decline. So it is really a combination of the three versus only one factor. On your second question about net sales revenue per unit case. So in the second quarter, we have posted a 2.58 dollars per unit case, net sales revenue per unit case. So 2.58, which is a 3.6 percent increase versus prior year, same quarter. Again, overall inflation is like around 3 percent, between 2.5 to 3 percent overall. And for the remainder of the year, we believe that overall, the same kind of pressure will continue to exist on our consumers. And therefore, we will continue to be very cautious on the way we take price. Right. So and this is well balanced between international operations as well as Türkiye. So, you actually see that in some of our details, it's not a huge difference between both. But again, we manage this at a local level. And again, we want to remain affordable. We want to continue connecting with consumers and we want to create revenue without necessarily taking price.

Hanzade Kilickiran:
Here, I would like to actually ask about I can understand the pricing promotions, but would it mean that NSR per unit case will come down? Because you also manage the NSR per unit case through channels and also channel management. So you perform better on NSR versus the pricing actions you've taken.

Karim Yahi:
Look, no, it doesn't mean necessarily that we're going to do more promotions or less promotions. It just means that when we take price, we think twice. So that's what it means. You know, it means that, we know that for our business to work well over the long term, we need to have around two point five dollars per unit case net sales revenue. Right. Our model works well with that. And we as long as we average that for the entire CCI, we feel good. So that's what I'm just going to be maybe clear. My apologies if I did not understand you correctly the first time.

Hanzade Kilickiran:
Thank you very much.

Karim Yahi:
And then on on your last question. Right. So what do we see from competition? Well, you know, we see competition competing. Right. So we see them doing what they do best. Right. Keep in mind that they don't have our scale. They don't have our level of service. They don't have our level of execution strength in the store. So, yes, some are competing with more promotions. Some actually are taking price very aggressively. So it's a mixed bag and it really changes, depending on the countries. But overall, we don't see only one behavior coming from competition. Again, it's extremely segmented based on the on the countries. But we don't see one size fits all strategy coming from competition.

Hanzade Kilickiran:
And I think here, Pakistan is very important from competition perspective because you have a strong competition that is it, I mean, more competitive now or are you gaining market share in Pakistan despite the volume decline?

Karim Yahi:
So we don't disclose market share data, you know, by country by quarter. The last reading we had was that we had not lost share in Pakistan. So again, the team is focused on continuing to execute every day in the store, even if we don't disclose details on market shares. You know, we are not losing competitiveness in the market. Now, does this mean that local competitors are not growing? No, local competitors are growing or are launching. Are they launching new products. Yes. And we welcome competition. But again, for us, what matters is to be sustainable and is to work on the long term. We always see local competition, sometimes the brands are positioning themselves and trying to capture opportunities in the short term. But again, for us, the question is always the same. Can they service the store in the same way as we do? As CCI, we serve 1.2 million customers every day in our 12 markets. So, 1.2 million customers are served every day. This is scale. And we are leaders in our markets and our team visit these stores every day. Thanks to the partnership with our distributors. Yes, the B brands come and go. We welcome them. It always a good reminder never to become lenient, but we focus on what we can do, and that is executing every day in the store and winning every day in the store.

Hanzade Kilickiran:
And thank you very much, Karim.

Karim Yahi:
Thank you.

Moderator:
Thank you very much. Just a reminder. Reminder star two for any additional questions. We will see the next question from Oguzhan Bikmaz, Info Yatim, go ahead, sir.

Oguzhan Bikmaz:
Thank you very much for the presentation, and I will try to keep it short. My question is about the guidance. Of course, we see a significant revised downwards, both in sales and margins. So correct me if I'm wrong. As far as I understand, the main driver for that is boycotts happening for the conflict in the Middle East. And Coca-Cola is decreasing marketing and advertising spendings during those processes. They are decreasing visibility. And that will be the main driver for the decline in the revenue. So what is your strategy for the rest of it? What's your expectations? Do you think that the boycott is going to continue? And do you think of decreasing the marketing and advertising and decreasing the visibility? And should we also expect a drop in the marketing expenses like advertisement expenses? So would there be a compensation effect from that? For the loss in the EBITDA?

Karim Yahi:
Thank you for the question. Look, the current context, volatility is really based on three things. Again, one is and it's the accumulation of these three things. It's one year of high inflation. And the cumulative impact of the years of high inflation. This is translated into lower consumer purchasing power and therefore lower consumer confidence. And then the third piece is all the sensitivity around the conflict in the Middle East. It is the accumulation of these three things that is creating a certain level of uncertainty in our geography. Now, have we stopped operating in our market? No. Have we stopped visiting our stores and our customers? No. Have we stopped investing in our markets? No. To the contrary, we continue working with the Coca-Cola company, which is in charge of all the advertising, to continue presenting our brands to the communities where we operate. For instance, we had a very successful Eurocup activation recently in our market. And we have countless other commercial activities that are supported by very strong advertisements in all our markets right now. So we are not looking at reducing our investment in the market. We are here for the long term. We have seen volatility in the past and we are confident in our ability to navigate through volatility and to build our business not only for a few months, but for the long term.

Oguzhan Bikmaz:
OK, thank you very much.

Karim Yahi:
Thank you.

Moderator:
Thank you very much. Three text questions. I'll take them one by one. The first question comes from Sybil from Schroders. On pricing, will you be able to maintain your current price levels or do you anticipate any price cuts given the weakness in consumer spending power?

Karim Yahi:
Look, no, thank you for the question, Sybil. Very good question. Again, I need to repeat myself, but, you know, we sometimes have a tendency to default to price increase in order to generate revenue. When actually what we need to do is create revenue sometimes without increasing the

price on the shelves. And in the second quarter we have demonstrated again our ability to create revenue growth by accelerating profitable portfolio, right, like energy, like adult premium beverages like Schweppes and some of our iced tea beverages. Again, pushing IC, the small packs versus the big packs, right? And again, pushing strategically investing behind channels that naturally have higher margins like all the hotels, restaurants and cafes. Our, again, objective is to limit price increases so that we can remain affordable for our consumers. And that's the guidance that all our markets have, you know, at a local level.

Moderator:
OK, thank you very much. Next question comes from Mr. Antonio Segura from BCP Securities. Thank you very much for the presentation. I wanted to ask about the upcoming euro bond maturity. Are you going to re-pay it with cash in hand or are you going to go to the market to refinance it?

Erdi Kurşunoğlu:
Thank you for the question. We will mostly pay that with cash in hand and with some bilateral loans.

Moderator:
OK, thank you very much. Next question comes from Mr. Harry Woo. Can you discuss invest ahead of demand? In what geographies will you be investing in the second half and in 2025? Is the macro volatility globally giving CCI increased opportunities to acquire new geographies at lower prices?

Karim Yahi:
So, look, good question. Thank you. And, you know, again, investing ahead of demand is for us how we start our playbook. Right. And as I already shared earlier, this year was heavy in terms of investments. And we have invested already beginning of the of the year into a new factory in Kazakhstan, a new factory in Uzbekistan. We broke-ground one in Azerbaijan. So what comes after breaking ground is actually to building a factory. We are acquiring new lines for pretty much in all our operations. And we're planning to continue investing in Iraq to support the growth there. And now all this is not necessary in the second half, but again, all this is in the plan. Now, regarding the second part of your question about opportunities to acquire new geographies at lower prices. Look, we made a very strategic position by acquiring the Coca-Cola Bangladesh beverages company from the Coca-Cola company. We closed the beginning of March and right now we are focused on integrating this business into CCI. The first order of priority is to work on the route to market. Basically, the part of the playbook I shared with you earlier and to make sure that we can go out to the stores with our standards so that we can create value. With the customers, for the customers and for CCI and for all our stakeholders.

Moderator:
Thank you very much. Our final question is a follow up question from Ms. Evgeniya Bystrova from Barclays. Please go ahead now. Your line is open.

Evgeniia Bystrova:
Yes, thank you very much. I will be quick, just a follow up on the debt question and Eurobond. So you mentioned that part of it will be refinanced with some bilateral debt. Is it, should we expect some new facilities, or will you just use the previous facilities?

Erdi Kurşunoğlu:
Not really, the one we have been mentioning, like IFC and all that. So nothing major to be added to that and with existing bank lines, if really needed, with some minor extension of that.

Evgeniia Bystrova:
OK, thank you very much.

Moderator:
OK, thank you very much. We see no further questions at this point. Thank you very much for joining us. We will be closing all the lines. This concludes our conference call. Thank you for joining.

Karim Yahi:
Thank you very much, everyone, for joining us today. Thank you for your interest in CCI.