Coca Cola İçecek

Third Quarter 2026 Earnings Conference Call Transcript

Moderator

Ladies and gentlemen, thank you for standing by. I would like to welcome you to the Coca-Cola İçecek conference call and live webcast to present and discuss the third quarter 2026 financial and operational results. We are here with the management team, and today's speakers are the CEO, Mr. Ahmet Ertin, and CFO, Mrs. Çiçek Uşaklıgil. 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 Mr. Burak Berki, Head of Investor Relations. Sir, the floor is yours. Please go ahead.

Burak Berki

Good morning and good afternoon, ladies and gentlemen.

Welcome to our third quarter 2026 results webcast. As the operator said, I'm here with our CEO, Ahmet Ertin, and our CFO, Çiçek Uşaklıgil. 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 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. In addition, in accordance with the decree of the Capital Markets Board, our 2026 financials are reported using TAS 29, Financial Reporting in Hyperinflationary Economies. The financial figures in this presentation and all comparative amounts for previous periods have been adjusted according to the changes in general purchasing power of the Turkish lira in accordance with TAS 29 and finally expressed in terms of the purchasing power of TL as of September 13, 2026. However, certain items from our financials are also presented without inflation adjustment for information purposes. These unaudited figures are clearly identified as such. 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 Ahmet Bey.

Ahmet Ertin

Thank you Burak.

Good morning and good afternoon, everyone. Thank you for joining CCI's third quarter 2026 results webcast.

In the third quarter, we continued to deliver on our commitment to quality growth, combining strong volume performance with disciplined commercial execution across our markets. While consumer demand trends remained mixed across the region, the diversity of our operations and the strength of our brands enabled us to deliver another quarter of solid growth.

Our consolidated volume increased by 8.3% to 516 million unit cases, supported by strong performances across several key markets, particularly Pakistan and Uzbekistan. Sparkling beverages grew by 8.1%, cycling a strong comparison base from last year, demonstrating the continued relevance of our core categories and the effectiveness of our affordability agenda.

Immediate consumption mix increased by 66 basis points to 30.1%, supported by both Türkiye and international operations. On-premise channels continued to recover, while the share of our no-sugar portfolio in sparkling beverages increased by more than 100 basis points, reflecting our commitment to offering consumers greater choice while driving a healthier category mix.

Excluding TAS 29, NSR/uc reached USD 2.9, marking the strongest third-quarter performance of the past decade and highlighting the underlying momentum of our business despite a volatile operating environment.

The quarter developed broadly in line with the expectations we shared at the end of the second quarter. As we highlighted then, we expected the second half of the year to be more challenging from a margin perspective due to a combination of input cost pressures, an exceptionally strong comparable base and higher operating expenses in certain markets.

As a result, gross profit margin declined by 186 basis points to 36.3%, while EBIT margin contracted by 359 basis points to 15.2%, leading to EBIT of TL 10.4 billion. At the bottom line, net income declined by 16.4% year-on-year to TL 7.8 billion.

While profitability was below last year's exceptionally strong levels, the outcome was largely consistent with our expectations and reflected the cost dynamics we had anticipated entering the second half of the year. Importantly, we maintained our focus on disciplined execution and continued investing behind sustainable growth while maintaining financial flexibility.

I am also pleased to note that we delivered robust free cash flow generation of TL 19.9 billion, supported by disciplined working capital management and a well-phased investment program.

Having navigated the summer season, we now see upside potential to our full-year consolidated volume guidance. While Türkiye is expected to deliver slightly below our initial expectations, with broadly flat volumes, our upwardly revised expectation of low-teens volume growth in international operations is expected to more than offset this shortfall and drive consolidated volume growth above our initial expectations. We maintain our full-year guidance for other P&L metrics.

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International operations delivered a very strong volume growth, mainly led by Pakistan and Uzbekistan.

The sparkling category recorded volume growth of 8.1% y/y in 3Q26, building on a strong 8.9% increase in the same period last year. Coca-Cola™ performed broadly in line with the category, recording 8.4% y/y growth. The stills category, including iced teas, energy drinks and juices, grew by 1.7% y/y, against a particularly high comparative base of 26.0% growth in 3Q25. The energy segment maintained its growth momentum, with volumes increasing by 11.7% y/y, supported by the continued roll-out of energy drinks across our international markets. Meanwhile, the water category recorded 17.3% y/y volume growth in 3Q26, with similarly strong performances across both Türkiye and international operations.

Our mix optimization initiatives continued to yield positive results in 3Q26, with the consolidated Immediate Consumption ratio increasing by 66 bps y/y to 30.1%. From a channel perspective, the on-premise share of total sales volume expanded by 114 bps y/y to 34.3%, reflecting continued progress in enhancing our channel mix. Meanwhile, we further strengthened our portfolio through increased penetration of no-sugar products within the sparkling category, with their share rising by 103 bps y/y to 4.4%.

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Türkiye's sales volume declined by 0.9% y/y to 172 million unit cases in 3Q26, bringing cumulative nine-month volume to 460 million unit cases, broadly flat compared to the same period last year. While the sparkling category contracted by 4.1% y/y, Coca-Cola™ Zero Sugar maintained strong momentum, recording 27.3% y/y volume growth in 3Q26. The stills category declined by 4.7% y/y in 3Q26, against a high base of 12.0% growth in the same period last year. Consumer purchasing power remained under pressure, continuing to weigh on domestic demand.

In Türkiye, our mix optimization initiatives continued to drive improvements in 3Q26, with the share of IC packages increasing by 190 bps y/y to 35.3%. From a channel perspective, the on-premise share of total sales volume expanded by 79 bps y/y to 33.1%, reflecting continued progress in improving our channel mix. Meanwhile, the penetration of no-sugar products within the sparkling category increased by 237 bps y/y to 9.6%.

Türkiye recorded a 14.5% y/y decline in NSR, while NSR/uc decreased by 13.7% in 3Q26. Excluding TAS 29, NSR grew by 12.1% y/y, with NSR/uc reaching TL 154.1, up 13.1% y/y.

In Türkiye, margin contraction was consistent with our expectations communicated throughout the year, driven by the anticipated gradual impact of higher-cost raw materials as lower cost inventories were utilized earlier in the year, alongside a high base from the same period of last year.

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International operations delivered strong sales volume growth of 13.5% y/y in 3Q26, building on a high base of 16.1% growth in the same period last year, bringing cumulative volume growth to 13.0% y/y in 9M26.

Growth was primarily driven by Pakistan's accelerating performance and sustained momentum in Uzbekistan. Category performance remained strong, with double-digit growth across all major categories. Sparkling volumes increased by 13.5% y/y, while the stills category recorded 10.4% growth. The energy segment also maintained strong momentum, albeit from a relatively low base. All major categories posted double-digit growth.

NSR increased by 14.6% y/y to TL 41.4 billion, while NSR/uc increased by 1.0% in 2Q26. Excluding the impact of TAS 29, NSR increased by 44.0% y/y, while NSR/uc improved by 27.1%. Despite persistent geopolitical tensions and challenging operating conditions across certain markets, our international operations continued to demonstrate resilience, supported by a strong focus on affordability and disciplined mix management

EBIT margin (excl. other) contracted by 61 bps y/y in 3Q26, as higher distribution, selling and marketing expenses more than offset the 71 bps expansion in gross margin.

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When we look at the largest international markets, Pakistan sales volume increased by an impressive 24.5% y/y to 94.5 million uc in 3Q26, marking a further acceleration from the already strong 17.0% growth recorded in 2Q26. Growth momentum strengthened throughout the quarter, supported by a relatively low base in the same period last year, favorable weather conditions and increased market investments. Consumer demand remained resilient, while our competitive positioning and targeted promotional activities further strengthened our market positioning and supported volume growth. At the same time, we continued to expand our outlet coverage, reaching an all-time high and further enhancing our route-to-market execution. Affordability remains at the core of our commercial strategy as we continue to focus on sustaining volume growth and strengthening our competitive position in the market.

Kazakhstan's sales volume increased by 1.0% y/y to 61 million uc in 3Q26, against a high base of 24.2% growth in the same period last year. Market conditions became increasingly challenging during the quarter, as category growth continued to moderate and competitive pressures intensified significantly. In response, we remain focused on strengthening our market position through targeted commercial initiatives, including product innovations and the introduction of new pack sizes to better address evolving consumer preferences.

Uzbekistan maintained its strong growth momentum in 3Q26, with sales volume increasing by 20.3% y/y to 88 million uc, following robust growth of 40.7% in the first quarter and 21.1% in the

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second quarter. The operating environment continued to benefit from supportive macroeconomic conditions, contributing to healthy consumer demand and sustained business momentum throughout the quarter. Our commercial execution continued to strengthen, driven by deeper market penetration, improved product availability, lower stock-out rates and ongoing investments in production capacity. Continued cooler deployment further supported volume growth, while investments in commercial capabilities and execution made in previous years increasingly translated into tangible results during the quarter.

Iraq sales volume slightly decreased by 0.2% y/y to 41.9 million uc in 3Q26. Operating conditions remained challenging, with ongoing restrictions on oil exports contributing to macroeconomic uncertainty. Despite these headwinds, our business demonstrated resilience, supported by strong execution capabilities and disciplined marketing, enabling us to maintain broadly stable volumes in a difficult operating environment.

Now I will leave the floor to Çiçek for the financial review. Thanks.

Çiçek Uşaklıgil:

Thank you, Ahmet, and thank you all for joining us today.

Our nine-month results demonstrated resilience of our business with sustained revenue growth, solid operating performance, and even stronger net income growth.

Net sales revenue reached 198.5 billion Turkish lira in the first nine months, representing 5.4% growth on a reported basis. EBIT increased by 14.3% to 31 billion Turkish lira in the first nine months, with a margin expansion of 121 basis points to 15.6%. At the bottom line, nine-month net income increased by 23.1%, growing at a faster pace than operating profitability, supported by disciplined financial management and lower net financial expenses.

As we highlighted following our first-half results, we expected the second half of the year to present a more challenging profitability backdrop. This was driven by a combination of a particularly strong comparison base from last year, as well as increasing input and operating cost pressures across our markets. Third-quarter results largely unfolded in line with these expectations.

Net sales revenue increased by 1% year on year to 68.4 billion Turkish lira. Excluding TAS29, net sales revenue grew by 30.4% to 72 billion Turkish lira, while NSR/uc increased by 20.4%, supported by effective revenue management initiatives, despite an unfavorable country mix. On the profitability side, EBIT amounted to 10.4 billion Turkish lira in the quarter, corresponding to an EBIT margin of 15.2%. Excluding TAS29 impacts, EBIT margin declined by 359 basis points year on year, reflecting the impact of a particularly high base from last year, higher commodity costs, and increased distribution, selling, and marketing expenses.

Net income came in at 7.8 billion Turkish lira, representing a 16.4% year-on-year decline. While softer operating profitability weighed on net profit, lower interest expenses provided some support

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to the bottom line, partially offsetting the impact of lower monetary gains. Excluding TAS29, net income increased by 15.6% year on year.

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Now let me briefly walk you through our per-unit case metrics, as this slide provides further insight into the underlying dynamics of our profitability.

In the third quarter, reported net sales revenue per unit case declined by 6.7%, while cost of sales per unit case decreased by 3.9%. This was consistent with our expectations, because the gradual impact of higher cost raw materials kicked in as lower-cost inventories were utilized earlier in the year, alongside a high base from the same period of last year. As a result, EBIT/uc declined by 24.5% on a reported basis.

Our revenue growth management approach continues to balance pricing, package architecture, and consumer affordability, rather than maximizing price realization in isolation. In the first nine months of the year, NSR/uc declined by 2.7%, while COGS/uc decrease was higher at 5.8%. As a result, EBIT/uc increased by 5.4% year on year.

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Moving down the P&L line, P&L, third quarter net income reached 7.8 billion Turkish lira, down 16.4% year on year, reflecting the operating profitability pressures we have just discussed. But what I want to highlight here is the significant improvement in our net financial expenses, which contributed approximately 1.1 billion Turkish lira positively to our bottom line, despite the continued high interest rate environment across several of our markets. This improvement reflects our continued focus on optimizing our funding structure, reducing the cost of borrowing, and managing liquidity more effectively across our markets. These efforts are translating into tangible savings and demonstrate the benefits of our disciplined financial management.

On the other hand, monetary gains under TAS29 were approximately 480 million Turkish lira lower than last year, partially offsetting the improvement in financial expenses. It is important to distinguish the accounting-driven impact from the underlying performance of the business. Excluding TAS29, net profit increased to 8 billion Turkish lira in third quarter from 6.9 billion recorded in the third quarter of last year. We expect financial discipline to remain an important contributor to the quality and resilience of our earnings going forward.

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This brings me to free cash flow, which is one of our key financial priorities and one of the strongest highlights of our nine-month performance.

On a reported basis, we generated 19.9 billion Turkish liras of free cash flow in the first nine months, compared with 6.2 billion Turkish lira in the same period of last year. Excluding TAS29, free cash flow reached 20.2 billion Turkish lira, compared with 7.9 billion a year ago. The strong growth in free cash flow reflects across several areas of our financial management.

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First, our underlying cash generation benefited from the strong operating performance delivered in the first nine months.

Second, working capital management made a meaningful contribution, reflecting the discipline we have been driving across our operations. We have been increasingly focused on cash generation with greater visibility, accountability, and discipline across our markets. This is not simply about releasing cash in a particular quarter, but it's about embedding cash discipline more deeply into the way we operate, and we are seeing the results.

Continuing on free cash flow levers, third factor is the timing of capital expenditures, which provided additional support. As we mentioned in our previous calls, part of the CapEx benefit is timing-related and will normalize as investment spending progress.

Strong free cash flow is particularly valuable in an environment characterized by geopolitical uncertainty like today, elevated financing costs, and volatile commodity prices. It allows us to continue investing behind growth, reduce financial risk, and preserve financial strategic flexibility. And our nine-month performance demonstrates that we are making meaningful progress in translating our operating performance into cash.

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Cost visibility remains one of our key priorities, particularly in this environment where commodity markets and geopolitical developments continue to create volatility. As we discussed earlier, the inflationary pressures we anticipated entering the second half have materialized largely as expected. That said, our focus remains on managing what we can control.

Through disciplined procurement, revenue growth management, and supply chain initiatives, we continue to strengthen our ability to navigate a dynamic cost environment. For 2026, we have secured almost full visibility for the rest of the year. Looking into 2027, we are progressing more selectively, with coverage currently at 47% for sugar, 20% for aluminum, and 5% for resin.

As mentioned in previous quarters, resin and aluminum remain among the raw materials most sensitive to geopolitical developments and energy market volatility in our region. We continue to capitalize on attractive pricing windows through disciplined procurement and hedging strategies, supported by scale advantages of the Coca-Cola system as well, and our cross-enterprise procurement capabilities.

At the same time, we recognize that commodity prices are only part of the cost equation. Energy, transportation, and distribution expenses remain important sources of pressure, particularly given the volatility in oil prices and the broader geopolitical environment. Accordingly, our focus extends beyond hedging to procurement efficiencies, productivity improvements, and disciplined cost management across our operations. Overall, our proactive risk management approach allows us to enhance cost visibility, protect security of supply, which is very important, and support margin stability over the medium term.

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Turning to our balance sheet, our strong cash generation in the first nine months has translated into a significant improvement in our financial position.

At the end of September, our gross debt stood at approximately 1.1 billion US dollars against a cash position of 831 million US dollars. As a result, our net debt/EBITDA declined to just 0.3x compared with 0.8x at the end of last year and one times at the end of 2024. This is a meaningful improvement and provides us with considerable financial flexibility.

Looking ahead, until the end of the year, as CapEx catch up with our planned investment schedule and the timing-related benefits of free cash flow normalize, we expect leverage to increase somewhat towards the year end. Nevertheless, we still anticipate closing the year comfortably below one times net debt/EBITDA, maintaining a strong balance sheet position.

We have also maintained a disciplined approach to FX risk. While the majority of our debt is still in hard currency, our foreign currency cash balances, derivatives, and net investment hedges substantially offset the exposure. Our residual FX short position is therefore limited to less than 50 million dollars. We consistently monitor our short position by benchmarking it against our international EBITDA, as we discussed many times, ensuring it remains within prudent and manageable levels. The reason is that we repatriate hard currency dividends from international operations and use this to serve our FX liabilities in Türkiye.

Looking at our maturity profile, our debt remains predominantly long-term, with the largest maturity concentration in 2029. And of this payment scheduled in 2026, the majority consists of local currency loans or the short-term portion of long-term facilities. Therefore, we do not anticipate any refinancing risk in this context.

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Let me close up with our updated 2026 guidance.

I think it's very clear there's no major changes, but we have made few updates to reflect the stronger-than-expected performance of our international operations.

We now expect low-teens volume growth in our international markets, while volumes in Türkiye are expected to remain broadly flat. As a result, we have updated our consolidated volume growth guidance to high single digits. Importantly, we have chosen to reinvest the benefits of stronger volume growth into supporting affordability across our markets, prioritizing sustainable growth over incremental margin expansion. Accordingly, we remain disciplined in our profitability outlook.

All our pre-IAS 29 P&L guidance remains unchanged, while reported NSR/uc under IAS 29 is now expected to decline by low single digits, but our EBIT margin guidance remains unchanged.

So, this concludes our presentation. Thank you for your attention. We are now happy to take your questions.

Operator, I hand it back to you to open the floor for Q&A, please.

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Moderator:

Thank you very much for the presentation. So, we will now move to the question and answer section. If you would like to ask a question, please press star two on your phone and wait to be prompted. If you're dialed in by the web, you can type your question in the box provided or request to ask a voice question. We already have some questions in the queue, so we'll start with Evgeniya Bystrova from Barclays. Evgeniya, please go ahead. Your line is now open.

Evgeniya Bystrova:

Thank you. Good afternoon and thank you very much for the presentation. I have several questions. So to start with, would you consider making another dividend distribution given strong cash flow generation in the nine months and low net leverage level? I know you were talking about higher CapEx in Q4 but still would be curious to know what's your dividend policy. Second, have you already started maybe thinking about 2029 bonds? I know the maturity is still removed, but if there is any color you can provide would be very helpful. And my last question is, where do you see the consumer demand in Türkiye in 2027? Do you see potential for recovery, maybe in like stronger recovery in volumes and in prices as well? And what would be the drivers that will support consumer demand next year potentially? Thank you.

Çiçek Uşaklıgil:

Okay, thank you, Evgeniya. Let me take the questions. Starting with the leverage question.

Yes, our leverage is exceptionally low, 0.3 times. But as I guided, it will increase towards the end of the year by the timing of CapEx, which will be in the fourth quarter. And the lower leverage obviously reflects the very strong free cash flow generation so far, but also that's also supported by working capital discipline and some, as discussed, the benefits from the CapEx. But it will normalize.

From a capital allocation perspective, this obviously gives us valuable flexibility. But our priority today is to deploy capital where we can generate attractive, sustainable returns while we are also, of course, aiming to preserve the financial resilience appropriate for our markets. And that means that our capital allocation priorities are unchanged, investing selectively in capacity, market execution, and productivity. And we also retain the ability to evaluate inorganic opportunities when there is a clear strategic fit and compelling financial case, of course.

And shareholder distributions, dividends, remain a part of that overall assessment. But right now, we do not have any plans to distribute the intermediary dividends. Our dividends will be based on the full-year performance along with the net income, obviously, and the free cash flow that we achieved this year, and it will be determined by the board of directors after we see the full-year results. So, no plans for additional dividend distribution for this year.

Our balance sheet gives us the ability to act when the right opportunity arises, whether it is CapEx, organic needs, inorganic needs, or dividend distribution. But right now, we are comfortable with the position that we have.

About the second question on the '29 bonds. Yes, we are starting to view the market. And right now, it's not the best time to tap the market, considering that we have still a lot of time until maturity. But we have the flexibility to act quickly because we already started the process for a new issuance. But we have the luxury to wait. This year, we don't expect anything right now until the end of the year. But starting from January of next year, if we see a window, we can definitely try to seize it. But as I said, since we have still time, we are being very opportunistic, and we are not in a rush. We are just trying to tap the market at the right time that will be good for our overall cost of funding.

Ahmet Ertin:

About Türkiye consumer demand. Yes, there is a kind of pressure now. Türkiye continues to navigate a challenging macroeconomic environment, with consumer purchasing power remaining under pressure. Consumer confidence has also weakened, with the consumer confidence index declining by 7.7% in October, reflecting continued pressure on consumer sentiment and overall consumption. In this environment, consumers are very price-sensitive, making affordability more important than ever.

Türkiye has navigated challenging economic periods in the past. I mean, we had this before, and we remain confident in the resilience and long-term potential of Türkiye. We believe the country will overcome the current challenges as well. Against this backdrop, so we focus on what we should do. Our priority is to stay close to consumers, protect and expand our consumer base, drive transaction growth through consumer recruitment, and increase transaction frequency. Affordability will remain at the center of our commercial strategy. Rather than relying primarily on pricing, we will focus on strengthening our package and category mix management, offering consumers the right products at the right price points while supporting sustainable revenue growth.

At the same time, we remain disciplined in managing our cost base, optimizing procurement, and securing key raw materials at competitive costs. We will continue to adapt our commercial strategies to evolving market conditions while maintaining a balanced approach to volume growth and profitability. Thank you.

Evgeniya Bystrova:

Thank you very much.

Moderator:

Thank you. Thank you very much. I will move to the next question that comes from Hanzade from JP Morgan. Hanzade, your line's now open. Please go ahead.

Hanzade Kılıçkıran:

Hello. Thank you very much for the presentation, and congratulations on strong cash flow generation. I have some questions. I mean, I try to understand your view while we are doing the budget for the next year. Sorry, I don't know if you could help us to understand the cost pressure that you are trying to set into your budget. I mean, what level of unit cost inflation do you, are you anticipating at the moment for next year? The industry says like 3, 4%, but I'm not really sure whether this is the number that we should be land on per unit case, cost increases for next year. And how much flexibility do you have to pass these increases to pricing, particularly in Türkiye, Pakistan, and also Kazakhstan? Because Pakistan is growing very fast, but I don't know whether you are doing any price adjustments there, or because you didn't do price adjustments for a while, as far as I remember. And in Kazakhstan, I mean, Carlsberg reported very strong numbers there, and they have highlighted that they want to be competitive, but also profit-focused. So how do you think your margin management in this country? Because this is the flagship country for very strong margins for a very long period of time. Could this be a concern for next year for you, or you are comfortable to navigate this? And on the cash flow, Çiçek, is there any room left in working capital cutting, or the cash flow will be driven more like by EBIT and CapEx? Thank you.

Çiçek Uşaklıgil:

Hello, Hanzade. Let me start with your questions, and then I'll leave the floor for Kazakhstan to Ahmet.

For 2027, as you know very well, it is still too early for us to provide a specific outlook. And we will, of course, share our formal guidance once we announce the full-year results. But I can outline the factors that is shaping our thinking right now when we are doing the business plan for next year.

First of all, starting with demand, we continue to see growth opportunities across our markets, obviously, although the pace will differ by country. As Ahmet discussed, Türkiye is going through a more macroeconomically challenging period. Affordability will remain a central priority everywhere, but particularly where purchasing power is still under pressure, like the countries in Türkiye and Pakistan. So our planning, therefore, needs to work with a consumer recovery that may be gradual and uneven.

When we come to cost side, we are seeing pressures, obviously associated with the Middle Eastern conflict, particularly to energy and distribution costs, and the potential there in the indirect applications for packaging as well. The extent to which those pressures carry into 2027 will totally

depend on the duration of this Middle Eastern conflict, as you know, exchange rates, obviously, and the timing at which they flow through our procurement arrangements and inventories. Therefore, there can be a lag between movements in market prices and their impact on our P&L. So it is very difficult to put a certain number on the cost increase today, and it will certainly differ from country to country.

And we are approaching the environment with a combination of revenue growth management and targeted affordability measures, and obviously productivity to save costs. So, we recognize that consumers cannot absorb every cost increase. Therefore, we have to be very careful when it comes to pricing, calibrated by market, by pack and channel. And improving our own cost base and effectiveness of our commercial spending will also be equally important. Therefore, we are implementing the zero-based budgeting initiatives. We are relooking at our OPEX lines, line by line, and trying to make sure that the cost pressures that we are seeing, especially on the raw materials, are mitigated by the rest of the P&L items. But the good news is that we entered the business planning process with a strong balance sheet, a diversified portfolio of markets, and obviously the continued discipline in our own cash generation. So, these strengths give us some room to support consumers and invest selectively in certain markets while managing the cost environment.

So, I'm very careful when I'm making any predictions this early. But we remain confident in our ability to adapt to the changing dynamics. So, our focus, what I can say today, I cannot give you a specific number on how much our costs will increase, of how much of this will be passed on prices. But what I can say is that our focus in 2027 will be on delivering growth that is sustainable for the consumer and that creates value for the business. Therefore, once we finalize our business planning cycle, we'll be able to shed more light onto the pressures and the expectations. But to recap what I said earlier, we are seeing cost pressures coming from raw materials.

This year, as you know, we enjoyed lower sugar prices. We enjoyed very good timings and hedges of certain raw materials that are creating an exceptional low base, especially in the first half. And because of the geopolitical developments, we are now looking at elevated prices, especially on resin and aluminum. Sugar is still manageable. Therefore, we will try to pass some of it onto consumers with care to also continue addressing affordability but also extract some more synergies or savings from the OPEX line to make sure that we can still deliver value.

And I also want to highlight one more thing, that affordability from our perspective and profitability are not mutually exclusive. So with the right price and pack architecture, we can support both, and we are betting on that. So, that will be my answer to your question.

And on the free cash flow, yes, the operating profitability increase definitely helped, but the major contributor is coming from working capital and CapEx.

CapEx will normalize, and next year we are also looking for continuation of a high single CapEx period because of the spillovers from this year and the continued investment in the business. But working capital discipline will be maintained.

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The market conditions are not easy, I have to say. But again, especially in the international markets, we have the ability to achieve a very low net working capital need, and that is also balancing the higher needs coming from Türkiye. So I'll leave the floor to Ahmet for Kazakhstan.

Ahmet Ertin

if I don't understand wrong, you ask about Carlsberg and Pepsi business in Kazakhstan, and how will that competition will impact our business, or specifically margin?

Hanzade Kılıçkıran:

Yes, Ahmet Bey. I see some news flow regarding their performance in the third quarter. They seem to be gaining a significant market share, particularly in the third quarter. But I want to hear about your opinion, because it may be normal with the capacity expansion they recently finalized, but how do you see the competitive evolving in the country, and do you think that these high margins can be sustained into next year?

Ahmet Ertin

Thank you. It's very clear. We have been preparing ourself for this new life for a long time.

First, I should say that we love to compete. Competition is always increasing and growing the market, and as long as the market is growing, there is nothing to worry about that one. So, what we realized so far, they stopped distributing for a while last year, starting from last year. They just came back for the last six months.

Within the last six months, what we have seen so far is we are not losing market share, just the opposite, we are increasing our share. And that competition somehow working really well because now we deep dive about all kind of execution capacities that we have. So from that point of view, We are working together with the country very well that, so what are the areas that we need to focus more?

So one of them is definitely being more affordable. So as a result of that affordability mindset, we check all minimum daily wage of the countries, and we launch a pack for every minimum wage of the country. So we have a kind of a Hero IC pack, we have a kind of a Hero FC pack. These packages are working well. Together with that, for the last one year, we have been preparing for that, and we increase our share and footprint in the HoReCa channel. So more than 99% of HoReCa channel now working with us. And these alignments are not for one year. Usually, they are longer than one year. This is also very positive for us.

And the third pillar is, so we have been in the Kazakhstan market for a long time, and they just arrived. The local RG brands is not with them anymore, so we have the advantage of being local.

We have the advantage of supplying all the materials better than anyone. And we already have 2.7 doors each and every customer. It is the average numbers. So in Kazakhstan market, having that kind of a roughly three doors in each and every market in average is giving us a very competitive edge versus them. So they need to do more if they want to reach us.

As a result, I may say very early, there will be a margin pressure. Yes, there might be a margin pressure, but personally, I think the team will overcome all these kind of difficulties, and we keep winning in Kazakhstan.

Hanzade Kılıçkıran:

Thank you very much, Ahmet Bey, this has been indeed very helpful.

Ahmet Ertin:

Thank you

Moderator:

Thank you. Thank you very much. We'll now move to the next voice question that comes from Ece Mandacı from Ak Yatirim. Ece, please go ahead. Your line is now open.

Ece Mandacı Baysal:

Hi. Thank you very much for the presentation. I will have small questions about the revenue breakdown. I see that you have seen a stronger growth in your water category. Maybe this might have some dilutive effect, particularly in Türkiye operations. Could that reason be correct? And on sparkling, still we see lower growth and larger contraction in Türkiye specifically. So, regarding the mix, do you observe such trends to continue for the continuing quarters? That's my first question. And secondly, I also see that your immediate consumption and on-premise sales are increasing. As a revenue share, we see higher contribution from those segments, but it doesn't end up with higher or slight positive effect on margins given this cost pressure you have mentioned. So, can we still say that the margin multiple immediate consumption versus future consumption package price multiple, is it still maintained? Price and gross margin multiple, I mean. Is that still maintained? Can we still say IC has higher margins than the other segment? These are my two questions. And one more question about the sugar tax. Have you received any further information regarding any potential sugar tax regulation upcoming? Thank you very much.

Çiçek Uşaklıgil:

Ece, thank you for your questions. I will try to answer as much as I recall the questions. If I forget anything, let me know.

On the country mix, yes, there is a shift. There is a change in the country mix, which is a negative country mix to the revenue. But we look at this through a portfolio lens.

Our markets are at different stages of development, and they contribute in different ways. Some are stronger drivers of both volume growth and consumer recruitment, while others contribute more through value growth, margins, and obviously cash generation. So that balance is one of the strengths of our geographical footprint that we are actually trying to underline.

Pakistan has an important role in the long-term growth of this portfolio, of the portfolio that CCI has. It is large, and its population is growing. It has relatively lower per capita consumption, as you know. And our stronger competitive position gives us confidence in the opportunities lay ahead of the Pakistani market. So, we manage that opportunity with a multi-year perspective, with a focus on expanding our consumer base and building scale while maintaining the financial discipline, of course. So, we are not looking at from a short-term perspective, but more trying to address it from a multi-year perspective. So as Pakistan grows faster, yes, there will be some geographical mix pressure on the consolidated margins and consolidated revenue in the near term. But margin percentage alone does not capture the full value of that growth. Therefore, we are happy with this diversification. And the scale and the market position we build today in all the developing markets, all the frontier markets, they will support our operating leverage, profit growth, and stronger returns over time. So, we are just happy with this mix.

Ahmet Ertin:

On sugar tax. So, we are closely monitoring the discussion around the proposed healthy life contribution fund. So the first approach was a kind of a fund.

At this stage, we believe it will be premature to quantify any potential financial operational impact, as the final scope, implementation details, and timing remain important considerations. We have extensive experience operating in different regulatory and taxation environments across our markets. I mean, should additional measures be introduced, we would carefully assess their implications and determine the appropriate commercial response, taking into account consumer affordability, price elasticity, competitive dynamics, and our priority objectives. At the same time, we continue to grow our portfolio, including no-sugar alternatives and different package sizes, to address evolving customer preferences.

Our priority will be to manage any potential regulatory change in a balanced and responsible manner while protecting the long-term health of our business. Just I would like to underline one more time that there is always a tax that we are paying. So, this is incremental. This is going to be a fund. This is going to be another tax, is not clear. So we met several times with the authorities, and finally they understood it very well. So we will see it. We are still working on it.

Çiçek Uşaklıgil:

Yeah. Sugar-related taxation is not very new to the Coca-Cola system, and we have seen throughout the different markets different forms of such regulations. So there is definitely some expertise on how to respond to that as well. So it's about, we are trying to approach it from a position of preparedness rather than uncertainty. So, we will continue to monitor the development on the sugar tax issue, but we believe we have the capability and the flexibility to navigate it. It does not change our fundamental ability to serve our consumers. We can certainly adapt our portfolio and continue creating a long-term value. But as Ahmet said, it's very early to say anything because there is really uncertainty about the timing, about the content, about anything. So it will be very premature to comment on that.

On your question about IC mix and its margin contribution, yes, rule of thumb is that IC is two times higher revenue compared to FC and one and a half times higher gross margin compared to FC. That's general for the Coca-Cola system overall, but of course, depends, changes sometimes from country to country, from channel to channel. So that's all the goodness about our OBPPC initiatives. So, right now, yes, the growth that we are seeing in IC, we are trying to address affordability recruitment. Therefore, their contribution may not be as high as you would have expected. But it is very important to address the affordability issue and the recruitment, because sometimes affordability comes by capturing the consumer with the lower entry price, and sometimes it is captured by making them share FC package at their home. So, we have to be ready for all occasions, and that's what we are trying to do.

Ahmet Ertin:

Just to clarify, I mean, IC business divides into two parts. So one part of IC is affordability, recruitment point of view purpose, and the other part of IC business is upsize and upcharge.

So in general, what we are looking very careful that affordability, recruitment part of the business should always be lower than 10% of our total mix. The purpose of that pack is very clear. It is to recruit someone, to bring the consumers for the first time to the category. So that's why, yes, we may be aggressive in terms of serving that product with the better price to the consumer to bring them. But meanwhile, we are very much focused on upcharge and upsizing the IC business. So that's why the mix part, in terms of total IC business, recruitment mix, we don't let it always or anytime to be bigger than 7 to 10%. Then it will hurt the business. So your question answer is, I would say, yes, IC's margin and revenue is always going to be higher than the other part. Should be.

Ece Mandaci Baysal:

Thank you very much for your detailed answers.

Moderator:

Thank you. Thank you very much. Our next voice question comes from Maxim Nekrasov from Citi. Maxim, your line is now open. Please go ahead.

Maxim Nekrasov:

Yes, thank you so much for the presentation, for detailed answers. Most of my questions were answered, but I still wanted to follow up regarding the Turkish performance in the recent quarter, and in particular, the revenue per unit case that we saw a sharp decline, right, double-digit decline. As I understand, it was to some extent driven by the mix but also wanted to maybe get a bit more color on this dynamic, and how big the focus on affordability plays the role here, and what could be the outlook for the next quarter and for foreseeable future in terms of the dynamic, in terms of revenue per unit case domestically. Yeah, thank you.

Çiçek Uşaklıgil:

Maxim, thank you for the question.

Well, in Türkiye, affordability remains a consideration, particularly given the cumulative impact of inflation, the inflation fatigue that the household has, and the impact it has on its purchasing power. So, consumers are certainly becoming more selective, more value-conscious, and more deliberate in their purchasing decisions. But I would not interpret this as a structural weakening of demand for our categories. Rather, we are seeing a consumer who is increasingly sensitive to the value proposition, the price point, and the consumption occasion. Therefore, it is very important to address them, capture them with both IC and FC packages, as I discussed when answering Ece's question. So that distinction matters because affordability is not simply about lowering prices for us. It's about making sure that our portfolio is accessible across different consumer needs and purchasing power levels. So this is precisely the strength of the business model that we have through the price and pack architecture, et cetera.

So, going forward 2027 as well, we remain cautious that affordability will continue to be a issue. Pricing will continue to be addressed very carefully. Therefore, as I highlighted couple of times in my previous answers, it's not only about taking price, but it's about leveraging all the levers of revenue growth management, having the right mix at the right channel with the right pricing, and try to also mitigate the cost pressures or the pricing needs by other P&L items like OPEX, et cetera. So yes, affordability will continue to be an issue for especially Türkiye, but also overall. And we will just try to address it by what we do the best, which is the price pack architecture and making sure our portfolio is available at different price points and have the value proposition acceptable for the consumers. I hope this answers your question.

Maxim Nekrasov:

Yeah, understood. Thank you so much.

Moderator:

Thank you. Our next voice question comes from Eren Ercis from Yapi Kredi Yatirim. Eren, please go ahead. Your line is now open.

Eren Ercis:

Hello. Thank you for the presentation, Ahmet Bey and Çiçek Hanım. Actually, most of my questions have already been answered, but I still wondering, how has the October been trading so far in Türkiye and in the international markets also? And my second question regarding the international NSR/uc, when I look at the numbers, it rose 27% year-over-year when we exclude the IS29. Could you break this down into price increases, product package, or channel mix, or country mix, and also currency translation contribution? Thank you.

Çiçek Uşaklıgil:

Thank you, Eren, for your question. Yes, on the international NSR/uc, the majority is coming from the price increases and also the favorable currency exchange that we have, and some positive impact from the product mix, category mix. But it's mostly pricing and FX related, I can say. And the first question was October performance, right?

It is in line with the current trend that we are seeing, in line with the new revised guidance that we are seeing. That's why we slightly lowered Türkiye's expectation and increased international, so that on a consolidated basis, we are now looking at a higher volume growth compared to last year. So October has reiterated what we have seen in the first nine months, I can say.

Eren Ercis:

Thank you. As a follow-up, Çiçek Hanım, as you told me, the higher proportion of the NSR/uc growth coming from price increases. Can you elaborate more regarding the country basis? For example, it's coming from Kazakhstan or Uzbekistan, which was the most impact on the consolidated international NSR/uc growth?

Çiçek Uşaklıgil:

I would say it's mostly coming from Central Asian markets, like Kazakhstan, Uzbekistan, all of them, Azerbaijan. All the Central Asian markets are contributing positively from a pricing perspective.

Eren Ercis:

Okay. Thank you. Thank you so much.

Çiçek Uşaklıgil:

You're welcome.

Moderator:

Thank you. We'll now move to the text questions. The first one that we've received was from Mehmet Yiğit Yorulmaz from Unlu & Co. *"I know you don't give leverage guidance, but if I recall correctly, on previous calls, you were comfortable with a year-end net debt EBITDA in the 0.7 to 0.8 times range, which sits inside the below one-time level you mentioned on the call. Is there room to finish below 0.7 times, or would you see that as too optimistic?"*

Çiçek Uşaklıgil:

Good question. Well, with the plans that we have for the remaining of the year for CapEx spending, I would say it would be a bit optimistic. But if we see any further delays on the spending of the CapEx in November and December, it is possible. So, I know it's a vague answer, but right now, our target is to make sure our balance sheet remains strong, and keeping it below one times is giving us flexibility and that confidence. So, whether it is 0.6 times or 0.7 times is not really our biggest focus. But yes, it has the potential to be slightly below that level that you're seeing. But right now, that's not the base case. Let me try to answer it this way.

Moderator:

Thank you very much for all of the answers. I can hand it back to the CCI team for their closing remarks.

Çiçek Uşaklıgil:

Thank you all for joining in, and looking forward to speaking to you again, hopefully with, again, good results at the end of fourth quarter.

Ahmet Ertin:

Thank you. Take care of yourself. Bye.

Moderator:

This concludes our call for today. We are now closing all the lines. Goodbye.

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