Investor Relations

Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525

Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814

New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com

Public Affairs, Communications and Sustainability

Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441

Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

ARCACONTINENTAL

Arca Continental
Fourth Quarter 2024 Earnings Call Transcript
February 12, 2025 @ 10:00am CT

Operator: Good day, everyone, and welcome to the Arca Continental conference. All lines have been placed on mute to prevent any background noise. Please note that this call is being recorded. After the speakers' remarks, there will be a question-and-answer session, and instructions will be given at that time. For opening remarks and introductions, I would now like to turn the conference over to Melanie Carpenter of Ideal Advisors. Ma'am, please go ahead.

Melanie Carpenter: Thank you, operator. Good morning, everyone. Thanks for joining the senior management team of Arca Continental to review the results for the fourth quarter and full year of 2024. Their earnings release went out this morning and it's available on the company website at arcacontal.com in the Investor Relations section.

It's now my pleasure to introduce our speakers. Joining us from Monterrey is the CEO, Mr. Arturo Gutierrez; the CFO, Mr. Emilio Marcos; and the Executive Director of Planning, Jesus Garcia. They're going to be making some forward-looking statements, and we just ask that you refer to the disclaimer and the conditions surrounding those statements in the earnings release for guidance.

And with that, I'm going to go ahead and turn the call over to the CEO, Mr. Arturo Gutierrez, who is going to begin the presentation. So please go ahead, Arturo.

Arturo Gutierrez: Thank you, Melanie, and good morning, everyone. Thanks for joining us this morning.

Let me start by saying that we are very pleased with our performance to close out 2024. We ended the year on a strong, positive note.

Our track record of steady revenue and earnings growth extended into the fourth quarter and full year, with sequential improvements in operating performance, top-line growth acceleration and margin expansion.

By staying market-focused and maintaining operational flexibility, we successfully navigated an increasingly competitive landscape, sustained our profitability, and grew our market share.

In 2024, we continued to invest in strengthening our capabilities at the point of sale, in production, distribution, and throughout the entire value chain.

We've significantly reduced shortages by adding new production lines, opening warehouses and distribution centers, and deploying state-of-the-art logistics technology.

Investor Relations
Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525
Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814
New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com
Public Affairs, Communications and Sustainability
Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441
Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

Moreover, we have made significant strides in our digital initiatives, with 67% of our traditional trade volume in Latin America now being ordered through TUALI, our second generation B2B application.

Our top-tier digital mobile platform for customers and front-line associates provides an intuitive user experience and powerful features, including Gen-AI, financial services, multicategory capabilities, and an integrated loyalty program.

Now moving to our financial results.

Total consolidated volume grew 3.5% in the quarter and remained flat for the full year. This performance follows three consecutive years of record-breaking volume growth, with 4.3% in 2023, 4% in 2022 and 5.8% in 2021.

The Sparkling category showed great resilience with volume growth in the quarter, driven by the strong performance in colas, up 4.5%. Still beverages grew by 8.1%, supported by on-going innovation in our portfolio, excellent point-of-sale execution, and targeted market investments.

Total consolidated revenues in Q4 rose 29.9% and 10.9% for the full year. Top line performance was broad-based, with all regional operations delivering positive organic revenue growth, demonstrating our sophisticated revenue management capabilities and advanced digital tools, coupled with our flexible price-pack architecture.

Consolidated EBITDA for the quarter grew 41.7%, resulting in a margin of 21.8%. For the full year, EBITDA increased by 14.9% for a margin of 20.5%. Remarkably, this is the highest consolidated EBITDA margin in the past eight years.

While the year proved to be challenging, we achieved earnings growth that outpaced sales. Our strategic hedging and supplier negotiations helped offset input cost and FX pressures.

Now let´s review the performance and highlights of our operations.

Our beverage business in Mexico continued driving steady positive momentum, achieving strong volume performance, and surpassing our all-time volume records for both the quarter and the year.

In the fourth quarter, unit case volume, not including jug water, grew an outstanding 7.8%, cycling a strong 3.5% growth from the same quarter last year.

This volume performance is the highest for a fourth quarter in Mexico since the merger of Arca and Grupo Continental fourteen years ago.

During the quarter, volume growth was widespread across all categories, with sparkling increasing by 5.8% and still beverages growing 16.6%.

Total volume for the year grew by 2.1%, reaching 1.41 billion-unit cases. Moreover, from 2021 to 2024, Mexico volume grew at a compound annual rate of 3.1%, once again showcasing the strength of our beverage business and the long runway for growth in our primary market.

Remarkably, the Coca-Cola brand achieved its seventh consecutive year of growth with a 2.1% compound annual growth rate, bolstered by Coca-Cola No Sugar's impressive double-digit volume growth in 2024.

We saw a solid performance across all channels in the quarter, with traditional and modern trade growing at 7.4% and 7.3%, respectively.

Notably, we gained value share for the full year, outpacing the non-alcoholic ready to drink beverage industry.

Total net sales in Mexico rose 15.4% in the quarter to reach $27.8 billion pesos, marking the 34th consecutive quarter of net revenue growth. For the full year, revenues rose 9.6% to $110 billion pesos.

Average price per case in Mexico in the quarter - not including jug water - rose 7.2%, reaching $88.26 pesos.

EBITDA in the quarter increased 21.8% to $6.4 billion pesos, representing a margin of 23%. For the full year, EBITDA closed at $26.4 billion pesos, up 12.6% and reaching a 24.1% margin.

Turning now to our operations in South America, total volume was down 0.4% this quarter, due to declining volume in Argentina, which was partially offset by growth in Peru and Ecuador.

For the year, total volume declined 5.5% to 610 million unit-cases, cycling strong growth in the past three years, with 7.2% in 2023, 8.9% in 2022 and 14% in 2021.

Total revenue rose 99% for the quarter to $13.2 billion pesos and 15.4% for the full year, reaching $42.5 billion pesos.

EBITDA increased 95.1% in the fourth quarter and 14.1% for the full year to $8 billion pesos, with an 18.9% margin.

The recovery story continued to unfold across the three countries, namely Argentina.

In Peru, total volume grew 2% in the quarter, reaching 89.4 million-unit cases. Volume performance in the fourth quarter is cycling 4.7% growth in the same quarter in 2023.

Volume growth in Peru was mainly driven by our still beverage portfolio, up 8.2% and led by the remarkable volume expansion in the flavored water segment.

Notably, this is the highest volume recorded in a fourth quarter since we acquired this operation in 2015.

Investor Relations

Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525

Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814

New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com

Public Affairs, Communications and Sustainability

Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441

Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

The speed with which we recovered after a decline in the third quarter is a testament to the resilience of the market in Peru.

Moving over to Ecuador, the country has been dealing with a range of challenges, including a major economic slowdown due to disruptions in oil production, an energy crisis, and climate-related events.

While we have seen a slight recovery, ongoing economic weakness continues to affect overall consumption.

Nonetheless, volume in our beverage business increased 1% in the quarter, cycling strong 4.8% growth in 2023 and 5.8% in 2022.

Volume growth in the quarter was driven by sparkling beverages with colas and flavors, up 0.6% and 1.7%, respectively.

Growth in the sparkling category this quarter was driven by Coca-Cola Zero Sugar, Fanta, and Fioravanti.

We achieved value gains in NARTD beverages, supported by our affordability initiatives, especially with returnable packages. Importantly, our mix of returnables increased 0.8 percentage points.

In Argentina, our efforts to offer an affordable portfolio and expand returnable presentations are leading to a consistent and steady volume recovery across channels.

Volume in the fourth quarter declined by 6.6%, but showed sequential recovery, ending the year with a 0.7% volume growth in December, supported by a 0.6% increase in brand Coca-Cola.

The traditional trade once again proved its resilience with a 13.4% growth.

I also would like to highlight that we are pleased with the initial results of our multicategory strategy in Argentina. Our share in the craft beer and value-added dairy segments is rapidly increasing.

Additionally, this quarter we have expanded our portfolio by incorporating a leading global brand in the premium spirits category.

We are optimistic that the government's macroeconomic stabilization program will bring positive changes in the economic landscape and look forward to continued growth and stability for Argentina in upcoming months.

Turning now to our beverage operations in the United States. We concluded the year with impressive financial results. We maintained robust revenue growth, achieved record bottom-line performance, and celebrated our twenty-seventh consecutive quarter of EBITDA growth.

Net sales for the quarter rose by 8.3%, reaching $1.1 billion dollars. The average price per case grew by 8.8%, with a true rate increase of 5%. For the full year, revenue increased 6.7% totaling $4.3 billion dollars.

Revenue growth was driven by our effective management of pricing, optimization of promotional activities, and execution of higher profit-per-case packages, all supported by our enhanced digital capabilities.

Volume for the quarter and the full year experienced a slight decline of 0.6% and 0.4%, respectively. SSDs volume increased by 1.1% in the fourth quarter, showcasing the strength of the sparkling category.

Colas saw a 0.6% increase, Flavors rose by 1.8% and Coca-Cola Zero kept outperforming with volumes up 7.7% for the quarter and 7.6% for the year, further enhancing its relevance within the category mix.

The Stills portfolio grew 6.6% in the quarter, fueled by positive momentum in Monster Energy and Powerade. Notably, Fairlife Core Power achieved outstanding double-digit growth across all channels.

The Small Store channel had the highest volume growth in the quarter, up 6.6% and 4.1% the full year.

Our market leadership position remained strong as we increased value share in NARTD beverages for the full year, with growth in both SSDs and Stills.

Our U.S. business achieved one of the fastest and highest share growth rates within the Coca-Cola system in North America.

EBITDA for the quarter grew 25.6% to $215 million dollars, with a margin of 19.2%. For the year, EBITDA reached $740 million dollars, a 14% increase with a margin of 17%.

These are the highest EBITDA margins for a fourth quarter and full year since we acquired this operation in 2017.

We were honored to receive several recognitions from our customers, including the Bottler of the Year award from Monster by achieving the highest volume growth among Mega Bottlers.

Likewise, we had a fantastic year with Dr Pepper, leading sales of Dr Pepper Zero Sugar and boosting SSD share performance
And to wrap-up the review of our operations, our Food and Snacks businesses maintained steady positive momentum, posting double-digit sales growth for the quarter and low-single digit growth for the full year.

EBITDA margin grew double digits across all our operations in the quarter, as we continued to accelerate efforts in pricing, productivity, and cost efficiency initiatives.

I'd like to conclude by sharing some important news.

Investor Relations
Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525

Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814

New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com

Public Affairs, Communications and Sustainability
Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441

Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

I am proud and honored to communicate that Arca Continental has been included in the prestigious Dow Jones Sustainability World Index for the first time. This recognition places us among the top 300 publicly traded companies globally that stand out in terms of sustainability.

Our inclusion in this global index underscores our unwavering commitment to corporate governance, ethics, risk management, environmental and social practices throughout our value chain.

Now, I will hand it over to Emilio to discuss our financial results. Please proceed, Emilio.

Emilio Marcos: Thank you, Arturo. Good morning, everyone. Thank you for joining us today to review our financial results for the fourth quarter and full year 2024.

Despite unfavorable weather in the third quarter, we regained momentum and ended the year with strong performance.

The robust performance in both volume and pricing enabled us to achieve double-digit growth in sales and EBITDA for the quarter and the full year. As Arturo mentioned, we achieved the highest consolidated EBITDA margin since we acquired the U.S. beverage operation in 2017.

Now, let me provide you with further details on our financial results:

Consolidated Revenues rose 29.9% in the quarter to $64.9 billion pesos, driven by the strong volume performance across most of our operations, effective pricing, and a favorable exchange rate effect, due to our exposure to U.S. dollar.

For the full year revenues grew 10.9% to $237 billion pesos, reflecting the consistency of our successful RGM strategy.

On a currency-neutral basis, revenues rose by 12.7% in the quarter and 8.8% for the full year period.

Gross Profit grew 30.5% during the quarter, reaching $31.3 billion pesos, representing a contribution margin expansion of 30-basis points.

For the full year, gross profit increased 12.8% to $111.7 billion pesos, while gross margin expanded by 80-basis points, mainly as a result of both a solid top line, and stable or lower raw materials' prices.

Operating Income reached $11.4 billion pesos in the quarter, representing a 31.6% increase and a margin expansion of 20-basis points. For the full year, operating income rose 13.3% to $39.2 billion pesos, with a margin expansion of 30-basis points.

During the fourth quarter, Consolidated EBITDA reached $14.2 billion pesos, an increase of 41.7% compared to the same period of 2023. For the full year Consolidated EBITDA rose 14.9% to reach $48.7 billion pesos.

On a currency neutral basis, EBITDA grew 29.1% for the quarter, and 12.9% for the full year. EBITDA margin for the fourth quarter expanded by 180-basis points, reaching 21.8%.

For the full year, the margin was 20.5%, reflecting a 70-basis points expansion. This result was driven by the strong top-line performance, raw materials tailwinds, and our effective hedging strategy.

Now, let´s turn to the balance sheet:

Cash and equivalents at year-end were $29.5 billion pesos, our total debt was $48.5 billion pesos, which translated into a Net Debt to EBITDA ratio of 0.4x times.

For the full year, our operating cash flow reached $38.3 billion pesos.

In 2024, CAPEX investments reached $16.3 billion pesos representing 6.9% of Consolidated Revenues.

This is in line with the guidance provided in early 2024, enabling us to enhance our production, commercial, and digital capabilities to better serve our customers and consumers.

To conclude my remarks, I would like to highlight that, consistent with our strategic commitments, we successfully met our mid-term targets for the 2019 to 2024 period.

Revenue growth was driven by consistent volume expansion and pricing strategies that outpaced inflation, resulting in a sales CAGR of 7.8% for the period.

Additionally, our disciplined cost management and SG&A efficiencies supported EBITDA growth, achieving a CAGR of 9.9%. Both revenue and EBITDA growth were at the high end of the range that we provided in 2019. We maintained an efficient investment approach to enhance our capabilities, with CAPEX levels around 6% of sales, also in line with our target.

Our financial discipline allowed us to sustain a strong balance sheet, keeping our net debt-to-EBITDA ratio below 1x (one time), providing us with the flexibility to capitalize on future growth opportunities.

We are confident that in 2025, our RGM strategy, consistent hedging, disciplined execution of OPEX and CAPEX, together with the evolution of commercial and digital capabilities, will continue to create value for our shareholders.

And with that, I will turn it back to Arturo. Please, Arturo.

Arturo Gutierrez: Thank you, Emilio.

As we conclude today’s call, I want to express my gratitude to our exceptional team of dedicated associates, to our valued customers and consumers, and to our shareholders for their trust and support.

2024 was a year marked by resilience and innovation, and as we move forward in 2025, we are energized by the opportunities that lie ahead.

For the full year, we expect consolidated revenues to grow high-single digit year-over-year, in currency neutral terms, with positive contributions from pricing, volume growth and mix.

Our disciplined approach to capital allocation remains unchanged. We plan to invest 6 to 7 percent of total sales in capital expenditures.

CAPEX will primarily focus on expanding production capacity, enhancing market execution capabilities and strengthening our end-to-end supply chain to meet the growing demand in our markets.

Beyond 2025, we remain focused on achieving medium-term growth targets by executing our strategic priorities. I'll take this opportunity to share this guidance with you.

Over the next five years, we are targeting a 6 to 8 percent compound annual growth rate in revenue, driven by organic expansion and continued innovation across our product portfolio.

For EBITDA, we aim to achieve an 8 to 10 percent compound annual growth rate, reflecting operational efficiencies and cost optimization.

Capital expenditures are projected to stay within 6 to 7 percent of annual revenue for the 2025 to 2029 period.

This will support the expansion and modernization of our production and distribution capabilities, consolidate our commercial leadership and accelerate our digital agenda.
In closing, while we remain mindful of macroeconomic uncertainties, we are optimistic that we are uniquely positioned to capture the growth opportunity.

Our clear path forward, combined with our confidence in an effective playbook, demonstrates how our business fundamentals can be successfully applied in different markets.

Thank you for your attention. We value your engagement and look forward to your questions. Operator, please open the lines.

Operator: Thank you. At this time, we will open the floor for questions. If you would like to ask a question, please press the star key, followed by the one key, on your touchtone phone now. We will pause for just a moment to allow everyone the opportunity to signal for questions.

We will take our first question from Ben Theurer with Barclays.

Ben Theurer, Barclays: Hey good morning. Thanks for taking my question. Congrats on those outstanding results. Arturo, one question and a half one afterwards. First of all, the profitability in the U.S., obviously the improvement was significant not only in the quarter but throughout the year and what we've seen. Maybe if you could elaborate a little bit more on some of the commercial initiatives and what you've been doing in the U.S. to actually drive that margin. It feels like you're confident there's a little more room for upside.

Then second, along the lines just on the Mexican piece, the digitalization efforts that seem to be picking up as well momentum, maybe help us understand what the runway is that you're seeing here and maybe tie that back into what you've just said for the next couple of years and also that CapEx of 6% to 7%, which obviously continues somewhat elevated, but it seems like you need it. Thank you.

Arturo Gutierrez: Thank you, Ben. With respect to the U.S., it was certainly an exceptional quarter. Our volume, as you know, performed well on a pro forma basis. We had good operational discipline and I think many of the initiatives paid off and margins also were outstanding. This was a combination of things that we've been working on for some time, obviously pricing, a combination of our price and mix, a good management of raw materials and a good hedging strategy, and also some, I would say, extraordinary positive effects on OpEx timing. Remember at the first part of the year, we had a higher rate of OpEx to revenues and that kind of evened out at the end of the year and some other income effects that I'll ask Emilio to elaborate on a little bit. But we are certainly very pleased with our U.S. Operation and how we are aligning all of our front line with the priorities, using the right tools and most of all, as you know creating the culture of continuous growth and better execution in the marketplace.

With respect to digital and particularly digital in Mexico, I think even in a challenging year, you see how this transformation is becoming so critical. I've been saying over and over that what we've seen as the digital platform that we launched has been adopted in Latin America, for me, this is a sign that truly things are fundamentally changing in the Latin American consumer space landscape. I believe that this is for us both a necessity and an opportunity. It is a necessity because it's a new game and we need to make sure that we are the leaders as we have been as being the preferred vendor in the marketplace. Now we have to be the leaders in the digital conversation as well because that is going to continue. As you know, a significant part of our orders are now placed through the app - through the platform. In Latin America, two-thirds of our traditional trade volume is being transacted in 2024. I think that is a very powerful message.

At the same time, this is becoming an opportunity to build a new competitive advantage and we are best positioned to do that. So what are we doing? We're not only launching our next generation B2B digital platform in Mexico and South America. As you know, that is Tuali, and that represents an evolution of AC Digital transforming the operations of all these hundreds of thousands of customers. But this is not only B2B ordering. This is also AI-powered predictive ordering, as you know, suggested order analytics. We have also digital loyalty programs that are being incorporated to the platform and we have expanded now to the buy now/pay later feature solution to reach a certain number of customers. And at the same time, we are collecting more information from the market, as you know, through Yomp! that has now surpassed 21,000 customers that are connected to our network.

Investor Relations
Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525
Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814
New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com
Public Affairs, Communications and Sustainability
Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441
Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

So again, this is a transformation that has an important consequence, which are new go-to-market models. So kind of everything works together as an ecosystem, as we've said. So we're going to continue investing in building those capabilities because we are convinced that is, as I said, the new competitive advantage. It is a combination of digital capabilities, of people processes, and good logistics. And that's why we are best positioned than others to win in this new race.

And with respect to CapEx, yes, this is the guidance that we provided, 6% to 7% of revenue. It's mostly dedicated to, I would say, the traditional CAPEX that we've been deploying, now we're doing more aggressively in the next few years, especially for production lines, warehouses, routes, coolers, you know, the basic playbook. I'll turn it over to Emilio to elaborate a bit more on the U.S. margins, Ben, if that is okay with you.

Emilio Marcos: Thank you, Arturo. Thank you, Ben, for your question. So, basically, you already mentioned all the main reasons of the margin performance for the quarter that was particularly high. Mainly, again, the reasons that Arturo already mentioned, better pricing, a single-serve mix, it was better driven by our strategy to shift the volume into more profitable packages, the positive raw material prices and the hedges that we had last year. And as we mentioned at the beginning of the year, we started very strong on OpEx investment in the first half of the year, so that made the second half, or the fourth quarter, OpEx were lower than the regular ratio, the OpEx to sales ratio that we have. So the combination of all these variables helped getting these margin levels in the quarter. And I will just add that, well, our goal for 2025 is to continue growing our EBITDA and maintaining EBITDA margins on the 17 range.

Ben Theurer: Perfect. Thank you very much.

Arturo Gutierrez: Thank you, Ben.

Operator: Thank you. Our next question comes from Rodrigo Alcantara with UBS. Your line is now open.

Rodrigo Alcantara, UBS: Hi. Good morning, guys. Congrats, Arturo, Emilio, for the performance, reaching historical high price on the shares. Congrats on that. Two questions here, if I may. The first one would be for Arturo and a follow-up on digital, right?

So it's clear to us, like, kind of like the benefits that you have received from creating this digital platform, enhancing the value proposition. So my question would be here for 2025 and looking at your guidance is, if you can help us understand the role of this digital, AC digital, as an enabler of growth and profitability, again, in the context of 2025, would you say that it's fair to say that the main driver of this is precisely to keep rolling out the application to make more customers digital? If so, any particular target or which penetration you would like to achieve by 2025? Any comments on that would be helpful, Arturo, just for us to make sense of when we speak about digital.

And the other question would be for Emilio, very quickly. I mean, would have been a perfect quarter, right? Even at the bottom line. But I mean, what's curious here on your financial expenses line, right? Which more than doubled in the fourth quarter. So maybe if you can explain us with more detail what happened here and how did you see this line behaving over the course of 2025? Thank you very much. And very nice speaking with you guys, Arturo and Emilio.

Arturo Gutierrez: Thank you, Rodrigo. Let me address the first part. And in terms of digital, our priority, first of all, is to potentialize a core business as we deploy digital to manage a broad portfolio, a higher complexity, and obviously our pricing, promotion, activity, conversations with the point of sale. So here, as we deploy those capabilities, we first are looking to extend our reach in the marketplace and improve the usability of our platform, of Tuali. And this is not aimed to reduce our cost to serve. That's not our initial purpose. But it does result in a new or renovated go-to-market model to reach our customers. So that's going to be very important. And I think that is the most transformational effect of how we deploy Tuali in the marketplace, in Mexico and the rest of Latin America. These new models will result in more time for value-added activities with our customers. And that's why I said this is a combination of the use of technology and also that human connection that is still so important in the market.

At the same time, we are not only using this as a B2B order-taking tool, but we are also exploring other opportunities as we also consolidate Tuali as an ecosystem. That's also going to be very important as we incorporate new features, credit, buy now/pay later, loyalty programs. And this is going to be also the platform to expand our portfolio through other categories. For us, that is right now a secondary goal since we still see a lot of opportunity to the value that we can capture through just potentializing our core business.

So that is the plan for ‘25 in all of Latin America, and we have the metrics to track progress, especially the net promoter score among our customers. If you look at how we are successful in the marketplace, it is mostly about creating those connections with our customers and being the preferred partner of our customers in the marketplace. We are convinced that this new tool, combined with, again, the restructured service models, will help us improve that.

And at the same time, we are working on the logistics that support that, and making sure that we are better prepared to serve the market through the new investments that we have made in ‘24 and continue in ‘25 that are mostly addressed to improve our supply chain. So, with that, I'll turn it over to Emilio to your second question.

Emilio Marcos: Thank you. Thank you, Rodrigo, for your question. And you're right. It would have been a great quarter in all lines if we wouldn't have these changes. The variation of the comprehensive financing result is not really for higher financial expenses. It's mainly due for two factors that I would say that we don't control. And one is the exchange rate result driven by the Mexican peso depreciation that we have on the fourth quarter, and also the variation in the monetary position driven by Argentina, given the result of the hyperinflationary accounting in the country. So, due to higher monetary assets than liabilities that impacted us on the quarter, you can see the difference between last year and this year on these two lines. And going forward, I think, well, if we have stability on the Mexican peso, we should not have this kind of variation going forward. But that's something that we'll have to wait and see how to predict.

Rodrigo Alcantara, UBS: Absolutely. Thanks for that. And thanks for the clarification there, Emilio, and your comments, Arturo. Thank you very much.

Arturo Gutierrez: Thank you, Rodrigo.

Operator: Thank you. Our next question will come from Felipe Ucros with Scotiabank.

Felipe Ucros, Scotiabank: Thanks, operator. Good morning, Arturo, Emilio, Jesus. Thanks for the space. Let me start with the first one on the U.S., you're probably getting tired of this question, but you have increased margins by something like a third in your U.S. operations since you acquired it. I think reportedly EBITDA margins were something like 12% and change in 2018. And now here you are at like 16% and change just six years later. But from what I've heard from Emilio, you guys are now targeting 17% and change for this year. So you still have large projects with nice rates of return that are driving margin expansions. Do you have like a long-term target for U.S. margins? And I know you've been asked this a thousand times, but it's hard for us from the sell-side trying to think how we project this 10 years later. How much further can you take it, I guess, is the question.

And then the second one is on alcoholic beverages in Mexico. It's probably a category that we haven't discussed in a long while, but it jumped out at me that you reported 35% year-on-year growth. And I know it's a low base, perhaps not a needle mover yet, but it's certainly a seed that you have planted for the future. So I'm just wondering if you can talk about how the category is evolving in LATAM and give us some color about the things you're doing there.

Arturo Gutierrez: Yes. Thank you, Felipe. Well, first about the U.S. and margins. Certainly, we're very pleased with our performance in the U.S., and I'm not talking only about '24, over the years. I mean, the last seven years in the U.S., we've surpassed our expectations, obviously our initial business case. And this was a combination of many things. Actually, we had like different stages of attaining synergies and value creation initiatives. First, many things that were related to the costs and adopting some of the practices that we had in other markets. And then I think the more challenging things that we're still seeing the benefit of a shift toward the more profitable packages in our portfolio, a better management of pricing and promotions. And this requires coordination with the system, of course. It requires having the right tools to implement that, especially in pricing and promotions. Also, the digital platforms as well. As you know we have myCoke 360. And so everything kind of contributes.

We have still some opportunities very clearly in our supply chain in the U.S. that we are working on. We're investing in expanding and improving our Fort Worth facilities. And that will result in further supply chain efficiencies and also enable growth for the future. We're having three new lines in both incremental and replacement, warehouse expansion, automation, etc. So our goal here is basically to sustain our margins, which we know is challenging with all the volatility we're seeing externally, and we're going to continue to work on that.

But I think ultimately, and I know this sounds very kind of soft in many ways, but the success has been based on aligning our frontline operation with our priorities through the right tools and creating a better culture in our operation. We're very proud of that. If you look at our engagement score in the U.S. over the last seven years, it's a very similar curve to our EBITDA score in our U.S. Operation. There's a direct correlation of the level of engagement and alignment and the incentives and the tools and the empowerment of all of our associates with the results that we want to accomplish. So we believe that is a very strong foundation for the future to sustain our operation and our margins going forward.

And with respect to the second part, well, we know that our portfolio in all of our markets, particularly in Mexico, will continue to expand. And we, as you know our mindset is to accept a level of complexity in our operation that will get us to a better profitability. And I think the challenge is how to manage that complexity going forward, both in our supply chain and especially in our time in the market and how we allocate our, as we say, our bandwidth with our customers. And we do believe there is an opportunity to develop these categories. It's going to take time for sure, but they are very adjacent and they complement their current portfolio. I will let Chuy expand a bit on the numbers of where we stand in that regard right now in Mexico.

Jesus Garcia: Thank you, Arturo and Felipe. Thank you for your question. Our multi-category model, as you know currently consists of three categories that complement our core portfolio. Those categories are beer, spirits, and groceries. In terms of alcohol that represents roughly 75% of the multi-category effort. Now, the progress we have made is obviously different in each one of our territories. This is concentrated on Latin America traditional trade and on-premise channels.

In the case of Ecuador and Peru we have a coverage of 30% to 40% in terms of what we're doing with beer. Argentina recently started working with a couple of brands, and that has been improving over time. And in the case of Mexico, it's more of selected customers where we offer this. In the case of spirits, as you know, we have an alliance with Diageo in Mexico, and we recently signed one as well with Diageo in Peru. Also in Peru, we have an agreement with La Caravedo, which is Pisco, and the good thing about that is it is helping us grow our core products. Just to give you an example, the volume of Schweppes grows double since we started the agreement with them.

So our aspiration is obviously to increase this volume. As you mentioned, this is a low volume with high growth, and that is the case. Now having said that, our bet continues to be to leverage this multi-category effort to grow our core business, and it is always going to be about growing our core business.

Felipe Ucros, Scotiabank: Right. That’s great color. Maybe if I can ask a very short follow-up for Emilio. I think I remember from the previous call that you guys have hedged FX at a very good rate. I don't know if you can remind us where you stand for 2025, and thanks again for the space, guys.

Emilio Marcos: Yes. Well, for 2025, we have hedged 80% of our needs in Mexico at a lower rate than our hedge of last year, and 80% of our needs in Peru also at a better rate than 2024, so we are very well positioned there.

Arturo Gutierrez: Yes, we are. Thank you, Felipe.

Investor Relations

Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525

Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814

New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com

Public Affairs, Communications and Sustainability

Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441

Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

Felipe Ucros, Scotiabank: Thanks so much.

Operator: Thank you. Our next question will come from Alvaro Garcia with BTG Your line is now open.

Alvaro Garcia, BTG: Hi, Arturo, Emilio, Chuy. Hope you guys are doing well.

I have a question that's with respect to the fourth quarter on Mexico, obviously very strong volume growth, plus 8% ex jug, and I'm wondering if there's maybe some extraordinary elements in there, maybe some carryover from the weakness in 3Q or maybe a favorable calendar at the end of the year, how Christmas and New Year's fell, and just your general comments on the consumer environment in Mexico. I think generally there's quite a bit of caution out there, and this number would indicate otherwise, so any sort of comments on consumer strength and the numbers specifically would be helpful. Thank you.

Arturo Gutierrez: Yes. Hi, Alvaro. Well, 2024 was a very challenging year in Mexico, and we had a great quarter, but remember we had a, quite soft quarter in the third of the year, and so we're seeing that volatility and probably it's going to continue to be like that, a bit ups and downs. We still have a robust consumer demand, and I think we have demonstrated through a year like '24 that was so challenging that both the resilience of our business and the runway that we still have for growth in Mexico. So we're convinced that we can continue to grow this year and years to come. Probably under these conditions growth is not going to be a straight line, but we have the fundamentals and the foundations to believe that this is going to continue in the medium long-term. That's why we provide the guidance.

First of all, we're better prepared to serve the market. All these investments that we made in '24 and the ones that are planned and coming to operation in '25 are going to be critical to continue to grow the business. We spoke about the analytical capabilities that keep improving and refining, and that's going to also accelerate growth throughout the year. The evolution of our service models, customer digitalization, I covered that as well. And we're also investing in our affordability strategy, strengthening the universal bottle packages, our mix of returnables, and that, again, is a very important strategy to face the conditions. So it's not going to be linear, but we are very, very confident on our long-term growth.

We're also being able to manage a wider portfolio of products, as we mentioned before, and we have a pipeline for innovation. We will accelerate our non-sugar portfolio, particularly, and develop new categories. So for us, it's very encouraging that we continue to grow our weekly plus consumers in Mexico, and that grew the last quarters, last months, and also we are growing weekly plus consumers of the Coke brand, which is, I think, also a very, very encouraging sign of growth for the future. So again, it's a challenging environment, and we're going to have those ups and downs, but we for sure this year still have the opportunity to capture the demand that was left on the table in the higher season in '24 with our five new production lines. So that's certainly an upside that we have for '25 and '26, both the next two years. So that's pretty much the outlook for Mexico.

Alvaro Garcia, BTG: Great thank you. Thank you very much.

Arturo Guterriez: Thank you, Alvaro.

Investor Relations
Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525
Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814
New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com
Public Affairs, Communications and Sustainability
Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441
Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

Operator: Thank you. Our next question will come from Fernando Olvera with Bank of America. Your line is open.

Fernando Olvera, Bank of America: Hi. Good morning, everyone, and thanks for taking my questions. The first one is related to your guidance. If you can give us some color, how do you expect volume to behave by region this year, and where are you seeing the main opportunities regarding your long-term guidance? And my second question is also regarding your EBITDA growth for this year and the following. How does it look like by country? Thank you.

Arturo Gutierrez: Yes. I'll cover the first part, Fernando, and maybe Emilio can make some comments on our profitability. We expect this year to have growth in every market. That's our plan. It's certainly going to be more challenging where we have tougher comps, and macro conditions are going to be volatile. We know that. As you know, our basic thesis is that we can do okay. We can perform in a satisfactory way even under the most challenging market conditions, which we've demonstrated in the past. I think Ecuador in '24 is a good example of that. And we'll capture opportunities for growth where we have some headwinds, some tailwinds. I guess in '25, we're going to have, obviously, an opportunity to grow the Argentina market. We had a good start this year. Our comparison is very low, and growth is going to be expected. In Ecuador, conditions are improving. We had a very challenging year, and again, we're benefiting from many of the initiatives that I covered when I spoke about Mexico because we are deploying a similar playbook. Same thing in Peru. In Peru, we're excited about the opportunity just to expand cooler coverage. If you look at that, that's going to, for sure, bring growth going forward. And Mexico, as I said in the previous question, we've demonstrated that we still have plenty of runway for growth as we deploy the capabilities and the different actions. And then the U.S., which is a very competitive market, again, we have the chance to continue to develop some of the categories that are providing growth, especially focusing on profitability in the U.S. as well.

So we are, again, planning for continuous growth. It's not going to be linear, as I said before. But I think we have the foundations for sustained growth in every market, but recognizing that we will have a volatility throughout 2025 for sure. But there are reasons to believe, especially when we focus on the things that we can control on our own and that's the mindset that prevails in our organization. That's where we have the fundamentals that you're familiar with, which we look at those metrics of things that we do control in the market, you know, our share of inventory in the market, our customers that we visit, how we are serving those customers, the coolers that we place, etc. So, that's what we're going to be focusing in this year and years to come.

With respect to profitability, where again, there's some volatility in the marketplace, but we have a good outlook in general of our input costs, but Emilio can elaborate a bit more on that.

Emilio Marcos: Thank you, Fernando, for your question. I think I just want to highlight that this year we are back to the 20s margins after seven years. We will continue with all our strategies, RGM, pricing, packaging, we expect stability on our main raw materials this year. We have good hedges in many of our raw materials.

Investor Relations
Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525
Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814
New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com
Public Affairs, Communications and Sustainability
Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441
Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

We keep looking for efficiencies on our operating expenses. So, we need to keep our goal of protecting margins in all of our operations.

So, with that, we keep our goal overall at a consolidated level to keep margins on the 20% level. So, that's our goal in each of our operations and for a consolidating result for this year.

Fernando Olvera, Bank of America: Perfect. Thank you, Arturo and Emilio.

Arturo Gutierrez: Thank you, Fernando.

Operator: Thank you. Our next question will come from Henrique Morello with Morgan Stanley. Your line is open.

Henrique Morello, Morgan Stanley: Hi, everyone. Thank you for taking my question. I would like to ask a follow-up on the average price in the U.S. more related to the channel mix. So, if you could discuss the breakdown of your 9% average price growth for the quarter and how accretive was the higher convenience channel mix to your prices if compared to the product mix and the headline pricing?

And also, if you could explore how is your current channel breakdown and what are you thinking on the channel front mix in 2025 and how much more of those benefits are still on the table as we move forward? That would be very helpful. Thank you.

Arturo Gutierrez: Yes, thank you, Henrique. Yes, we did have some benefit from a change in mix, especially in the fourth quarter. We were comparing with aggressive promotional activity in the U.S. in '23, so that resulted in a better mix for us. Large stores declined 4% and small stores grew 6.6% for us in the fourth quarter, so that was a positive. It was very particular to that quarter.

Overall, we did have an improvement in mix. Emilio probably can give you a detail of mix for the quarter in the U.S. We still see the channel mix fairly stable. On-premise was basically flat in the quarter, and we still find opportunities as we deploy our digital platform in on-premise for growth in the future.

More than channels, we're focusing on the transaction packages that provide more profitability going forward. That's going to continue to be our strategy in the U.S., focusing on the higher profit SKU growth and focusing on single-serve and some specific presentations that are driving profitable growth for us in the U.S. So with respect to specific mix, Emilio?

Emilio Marcos: Yeah, as I already mentioned, our strategy to shift volume into more profitable packages such as mini can, helped our mix of single-serve, which have a better profitability, increase 1.4%, so leading to an average price increase of 8.8% in the U.S. So that, together with the combination of raw materials and all that we have mentioned, has helped us achieve the level of margins that we had in the fourth quarter in the U.S.

Henrique Morellos, Morgan Stanley: Okay, that's very helpful. Thank you.

Arturo Gutierrez: Thank you, Henrique.

Operator: Our next question will come from Carlos Laboy with HSBC Your line is open.

Carlos Laboy, HSBC: Yes, thank you. Good afternoon, everyone. Arturo, two topics. Very quickly, this CapEx at very high levels that you've got is happening at nearly double the return on invested capital you had back in 2018. Can you speak to the sustainability of this ROIC expansion as we look forward, or would you be comfortable with us doing that?

And second of all, you spoke of the level of complexity in the business that you embrace as a market developer. Can you speak, even though it's small, can you speak to the success you're having in making refillables work in the U.S. how this is scaling up, where you go from here into major cities, maybe flavors. But the profitability of the package is what is really surprising there. And so any incremental color you can give us on this would be helpful.

Arturo Gutierrez: Yes, thank you, Carlos. I'll address that second part first, which I think it's really interesting. We've talked about this before, and it's a basic philosophy of the business, I would say, and how to move away from the trap of simplicity, I would say, of many times commoditizing the portfolio, obviously simplifying the supply chain. We've taken a different path, and this is not recently. We've done this for a long time, and that's why we believe this is more of that healthy complexity of how we manage our business and our portfolio. It obviously presents many challenges. I'm convinced that one of the more important capabilities to develop in the future is precisely to be able to manage the growing complexity in businesses at the same time that we find a way to not making more than is needed. But we do believe that a returnable portfolio is critical in our price-pack architecture going forward.

In the U.S., as you know, it's very hard because that other model has prevailed for such a long time that it's very hard to reverse it. We have expanded our test in the U.S. to San Antonio. As you remember, we started at El Paso in the food service channel. So we're offering refillable glass bottles. The return rate, as I heard, is pretty good, like 75%. But we have to continue to build this culture and provide these solutions that meet the needs of customers and consumers, probably for a different reason. Many times it's for sustainability or for the preference of having a glass packaging. So we do see a willingness of consumers to drink Coke from refillable bottles in the U.S. But we think this is going to take a long time to make it a culture, as we have in Latin America. And even in Latin America, as you know, it's not the same everywhere. We've been very keen on making returnable a key strategy in every market where we operate.

And, in a way, it connects to CapEx because it does require investment in bottles every year. In our case, our CapEx, as we've disclosed, is at a higher level. This is, in a way, catching up to the previous years and recognizing that we have a runway for growth. But our ROIC looks stable going forward, even considering these CapEx investments. Their return is something that's easy to calculate and follow up because we're investing in the basic elements of the business, as I said before. So we're confident that we're going to sustain our mid-team levels of ROIC and feel comfortable to continue that path, even with the higher CapEx.

Carlos Laboy, HSBC: Thank you.

Arturo Gutierrez: Thank you, Carlos.

Opertor: Thank you. Our next question will come from Lucas Ferreira with JP Morgan. Your line is open.

Lucas Ferreira, JP Morgan: Hi, guys. Congrats on the results. I have one follow-up on the costs. What's your view on tariffs and on aluminum in the U.S., if it could be a threat or not to your costs in the region? I know you hedge, but I don't know about the local premiums if you're protected against eventual increase in local premiums as well. So if you can discuss this point.

And the second point, with the strong results, even with CapEx moving up a little bit, it seems like your free cash flow remains very solid. Your leverage is super under control. So my question is about capital distribution to shareholders, if you believe that there is room for increasing those in this year and the next coming years, especially in light of the guidance you just released? Thank you.

Arturo Gutierrez: Thank you, Lucas. With respect to aluminum and in general, we're sure going to see this volatile environment. I'll let Emilio give you some detail on the potential impact, which we believe is not material, but it's still something we're following.

Emilio Marcos: Yes. Thank you, Lucas, for the question. Regarding aluminum, we have hedged. There's two parts of the aluminum cost is LME and MWP. So we have hedged 70% of our LME needs in Mexico and U.S. slightly above slightly above 2024, but lower than spot prices. And for MWP, we have hedged 45% of our needs. So that puts us in a good position in order to compensate any effect on tariffs.

So the potential impact for the aluminum tariffs proposed by the U.S. Administration is very early to calculate. But thanks to our hedges, the potential aluminum impact cost due to the current volatility could be around 5%. But aluminum in U.S. on COGS is only 10%. So the total impact on U.S. COGS could be less than 1%. So it's very manageable, this kind of impact.

Arturo Gutierrez: And with respect to the second part, we are not really changing our overall strategy in terms of capital allocation.

Emilio Marcos: Well, our priorities remain the same. Again, we have mentioned a lot our CAPEX investment. We keep investing in our business. The ordinary dividend is always there. And if we don't find any opportunities in inorganic growth, we may continue returning value to our investors with extraordinary dividends. Since 2020, we have reached an average payout ratio of 80% including extraordinary dividends. So that could be the strategy also going forward.

Lucas Ferreira, JP Morgan: Perfect. And if I may, a quick follow-up here. I know it's a complicated topic, but with not only you, but all the Coke system doing quite well, do you think chances for M&A, they reduce in this environment of good performance for the category or not necessarily? So you continue to look for opportunities, I suppose, mostly in the U.S. right?

Arturo Gutierrez: Yeah, I think there's always a case for M&A because there is value to be created through consolidation in the Coke system, for sure. I think the obstacles to do that are not necessarily related to synergies or value creation. It's about the combination of ownership and the governance of the franchise companies. So we believe that eventually is going to occur over time, but it's very hard to predict with the family-owned business.

Lucas Ferreira, JP Morgan: That's right. Thank you very much. Congrats again.

Arturo Gutierrez: Thank you, Lucas.

Operator: Thank you. Our next question will come from Antonio Hernandez with Actinver.
Your line is now open.

Antonio Hernandez, Actinver: Hi. Good morning. Thanks for taking the question and congrats on the very strong results. Just a quick one. You already mentioned regarding FX needs, but any other current hedging status that will be helpful for both raw materials in Mexico and in the U.S. Thanks.

Emilio Marcos: Our hedging strategy - thank you for the question, Antonio - it's only in Mexico and regarding FX, it's only in Mexico and Peru. In Mexico, we have hedged 80% of our needs for this year, and in Peru, 100% of our needs. That's the only ones that we have in terms of FX.

Antonio Hernandez, Actinver: Okay. Thanks. And just a quick follow-up. In South America, I mean, you've seen very good numbers there, but anything else you're adding to try to improve the margins of what you're seeing going forward? Thanks.

Arturo Gutierrez: Can you repeat the question, Antonio, please?

Antonio Hernandez, Actinver: Regarding South America, the improved margins there, what are the drivers and where do you see performance going forward? Thanks.

Emilio Marcos: Yes, well, in South America, well, we have the effect, still have the effect on the Argentinian restatement or translation into Mexican pesos, so that's why you see the margin in the region lower than last year in the quarter. But if we take out all these effects, all the operations are improving their margins. We have better performance in Argentina. We have a positive trend in December. We have positive volumes, and we still have this volume growth during January. So we expect the following quarters in, for example, in Argentina to be sequentially better in terms of top-line performance and profitability, which has been the most challenging region or country regarding volume. And the other two countries in the regions are also improving margins, and the strategy this year is to protect those margins in order to have the same outlook for the rest of the year in the region.

Antonio Hernandez, Actinver: Great, thanks for the color, and have a good day.

Arturo Gutierrez: Thank you, Antonio.

Operator: Thank you. Our next question comes from Federico Galassi with TRG. Your line is open.

Federico Galassi, TRG: Hi, Arturo, Emilio, Jesus. Congrats for the results. Two quick questions, if I can. The first one is, according to the press release, you continue to grow faster in U.S. in convenience stores. The question is, I'm thinking in the digital platform, how do you see the room to increase the revenues and volumes in non-traditional channels?

And the second one, thinking in the CapEx and the World Cup that is coming to U.S. and Mexico in 2026, at what level of capacity utilization do you have in your plans? Thank you again.

Arturo Gutierrez: Yes, thank you, Federico. In terms of the U.S., we actually see opportunities in all three channels going forward, and it's mostly in the different categories where we're seeing a different perspective on growth, I would say. There are categories that are going to be providing a bigger portion of the growth going forward, as compared to categories that are going to be more stable. So we are launching new flavors of certain of our Bodyarmor, Dr.Pepper and Coca-Cola versions, and innovation is going to bring additional volume. But that's going to operate across every channel. We still think there's an opportunity for on-premise going forward as we deploy the use of our digital platforms there, and not only the platform, all the features that come with them. The on-premise never truly recovered after the pandemic, but it's really the way the market restructured after that and the consumption occasions. Other than that, we're looking at growth opportunities across channels in that market.

And with respect to capacity utilization, we can give you an overall number that would be probably around 80% overall, but it's not a completely fair number because capacity is more complicated. We're investing both in production capacity, warehousing capacity, and then you have different types of products in the portfolio, both returnable and non-returnable or a cold fill and a hot fill average. There's so many different aspects of the business that it's an average, a weighted average of the different operations. So what we're trying to do is just to make sure that we have the production and warehousing and routes capacity to serve demand in the peak months of the year.

And we know that we have not been able to do that in the past. Twenty-four was better than '23, but we are convinced that '25 and '26, we're going to for sure have a better - we're going to serve the market better and we're going to have better forecasting tools as well, which are critical to have a better fill rate in the marketplace.

Federico Galassi, TRG: Ok, thank you.

Arturo Gutierrez: Thank you, Federico.

Operator: Thank you. Our next question will come from Thiago Bortoluci with Goldman Sachs. Your line is open.

Thiago Bortoluci, Goldman Sachs: Good morning, Arturo. Thank you very much for taking the question. I have one very quick follow-up on your guidance. We couldn't help know –

Operator: Thiago, your line is still open. Please check your mute function. I believe we have lost Thiago. Please try dialing back in, Thiago. We'll go on to our next question. Our next question will come from Rodrigo Alcantara with UBS. Your line is open.

Rodrigo Alcantara, UBS: Hi, guys. Thanks for the follow-up very quickly and apologies if you have already answered this. My line popped. Just on your guidance and talking about the U.S., and making sense to your initial remarks of competitive environments, just curious how could we make sense of you guys increasing prices in line or above inflation, particularly in the U.S., where presumably the market is more competitive? If you could help us understand how you plan to achieve that, particularly in the U.S. on this pricing in line with or above inflation would be very helpful. And thanks for that, for the follow-up, guys.

Arturo Gutierrez: Yes, Rodrigo, certainly that is always a challenge. It's going to continue to be a challenging environment, we know for sure and achieving that goal is a combination of elements. First we need to have the right analytics to know how the competitive market dynamics are working and we also work on our price-pack architecture. You need to have the right packages and maybe introduce new packaging to make sure that you accomplish that. Second, you have to have the right tools for managing promotions in the marketplace as well. Then you have to have the right incentives to grow on the more profitable packages to improve your mix. You also have to work on your management of your channel strategy, for example we've been working on more bottle can at the on-premise channel versus the fountain version of drinks and that's also important.

At the end it's a combination of portfolio, tools for pricing, tools for promotion and coordination with the system in the U.S. as well, having the right conversation with customers, so it's a number of things. We are confident that we're going to be able to continue to do that even in the challenging environment to be in line with inflation, but it requires upgrading those capabilities continuously.

Rodrigo Alcantara, UBS: Yeah, that makes sense, thanks for the clarification, Arturo, and for the follow-up.

Operator: Thank you, our next question will come from Renata Cabral with Citigroup, your line is open.

Renata Cabral, Citigroup: Hi, good morning everyone, thank you so much for taking my question. It's a quick question here regarding the commentary that we saw on the release of the growth of Coca-Cola No Sugar. I'm just wondering if you could give us more color about the specific region that it has been happening, because our impression is that it's growing globally now, the trend of Coca-Cola No Sugar, but perhaps Mexico was not on the forefront of this growth, just to understand the overall picture in the U.S. and in Mexico market. Thank you.

Arturo Gutierrez: Yes, thank you Renata, for sure. Coca-Cola Zero Sugar, it has different names now, we are converging it to Coke Zero again, but it had a great performance in the markets, especially the larger

Investor Relations
Monterrey
Ulises Fernández De Lara
ulises.fernandezdelara@arcacontal.com
Tel.: +52 (81) 8151.1525
Rebeca Pinto
emmarebeca.pinto@arcacontal.com
Tel.: +52 (81) 8151.1814
New York
Melanie Carpenter
Ideal Advisors
melanie@ideal-advisors.com
Public Affairs, Communications and Sustainability
Guillermo Garza
guillermo.garza@arcacontal.com
Tel.: +52 (81) 8151.1441
Vicente Chávez
vicente.chavezc@arcacontal.com
Tel.: +52 (81) 8151.1400

markets. Just to give you an idea, in Mexico, Coca-Cola Zero grew 20% in the fourth quarter, which was outstanding for sure, but also in the U.S., Coke Zero grew close to 8% in that market.

So this continues to be an important source of growth and a very good innovation of the system in the last few years, and I think it's the reason behind this growth on the weekly-plus consumers that I mentioned before. So we expect that to continue in the future.

Renata Cabral, Citigroup: All right, so clear, thank you so much.

Arturo Gutierrez: Thank you, Renata.

Operator: Thank you. This concludes today's Q&A. I would now like to turn the call back over to management for closing remarks.

Arturo Gutierrez: Thank you. We appreciate your time today and look forward to continuing our dialogue in the coming months. Wishing you all a successful and prosperous 2025. Thank you.

Operator: Thank you, ladies and gentlemen, this concludes today’s event. You may now disconnect and log off.

-END-