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Arca Continental
First Quarter 2025 Earnings Call Transcript
April 24, 2025 @ 9:00am 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 first quarter of 2025. 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: Thanks Melanie. Good morning and thank you for being with us today to review our performance for the first quarter.

As we enter 2025, our business is navigating a unique confluence of external challenges that are shaping consumer behavior and overall market dynamics.

Geopolitical tensions and the impact of tariffs, alongside persistent inflationary environment, have added layers of uncertainty to the operating environment.

These macro headwinds, coupled with less favorable weather conditions, have weighed on near-term consumption patterns.

Even amid this backdrop of heightened uncertainty, our company made solid progress, delivering a resilient performance while continuing to invest for long-term growth.

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Let's take a closer look at our results.

Total consolidated volume in the quarter decreased by 3.1%, to reach 548 million-unit cases. Still beverages grew 2.4%, primarily driven by volume gains in Mexico.

This volume performance reflects a combination of factors, such as a subdued consumer environment and calendar effects — notably the leap year and the shift of Holy Week and Easter into the second quarter.

Total consolidated revenue increased 12.4% year-over-year to $57 billion pesos, while consolidated EBITDA rose 10.2% to $10.6 billion pesos, representing a margin of 18.7%.

This positive EBITDA performance was underpinned by solid contributions from our U.S. operations and strong momentum in South America, led by a robust recovery in Argentina.

Our results highlight the impact of proactive pricing, disciplined cost control, and prudent hedging, which enabled us to mitigate input cost inflation and currency volatility while protecting profitability.

Let me begin our regional performance review with our beverage operations in Mexico, which experienced a softer start to the year.

Total volume was down 3.6% in the first quarter, cycling three consecutive years of strong growth in the same period.

Volume performance was partially influenced by a high comparison base, given the strong uplift seen in the first quarter of 2024, supported by government incentive programs ahead of last year's elections.

Volume decline was partially offset by an 8.1% increase in still beverages, mainly driven by the Sport drinks, Tea, and Fruit beverage categories, capitalizing key opportunities in the modern trade channel.

Notably, Coca-Cola No Sugar delivered robust growth of 17.8%, supported by its continued expansion across our territories and sustained innovation under the Coca-Cola Creations platform.

Total net sales in Mexico grew 0.1% year over year to reach $23.3 billion pesos. The average price per case—excluding jug water—increased by 5.3%, reaching $89.51 pesos, reflecting our disciplined revenue growth management strategies.

On the profitability front, EBITDA in Mexico declined by 6.2% to $4.9 billion pesos, with a margin of 20.8%.

Following a strong track record of consecutive years of EBITDA growth in Mexico, this quarter was affected by slightly softer volumes and a temporary production pause at our Topo Chico plant in Monterrey, caused by a longer-than-anticipated maintenance process.

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Operations have since returned to normal, and we remain confident in our ability to recover momentum in the coming quarters.

I also would like to highlight that TUALI, our second generation B2B digital platform, continues to deliver strong results. By the end of the first quarter, our app accounted for over 68% of total orders from the traditional channel's volume in Mexico.

Notably, we observed a meaningful uptick in performance among digitized customers compared to non-digitized ones, contributing to a 1.6 percentage points increase in overall sales volume.

Moving now to our beverage business in South America, total volume declined 0.7% in the quarter, primarily due to softer performances in Peru and Ecuador. This was partially offset by growth in Argentina.

Total revenue rose by 25.4%, reaching $12 billion pesos, supported by effective pricing and favorable mix. EBITDA increased 36% to $2.4 billion pesos, expanding margin to 19.9%.

This strong profitability performance underscores our disciplined execution, affordability strategies and ongoing portfolio optimization.

While challenges persist, we remain cautiously optimistic about South America's outlook in 2025, underpinned by signs of gradual macroeconomic recovery and stabilization across our markets.

In Peru, total volume declined 4.6%, lapping a strong growth of 3.8% in the same quarter of 2024. However, we are seeing a sequential recovery trend.

Despite softer consumer demand and below-average temperatures, our actions to offer an affordable portfolio and the expansion of returnable package formats are supporting an improvement in volumes.

In still beverages, flavored water and energy drink segments grew 33% and 41%, respectively, supported by new product launches.

Furthermore, we signed a five-year distribution agreement with Diageo, introducing their renowned portfolio of premium spirits to Peru’s traditional trade and on-premise channels.

Turning to Ecuador, the country entered 2025 facing a complex landscape marked by economic slowdown, persistent political uncertainty, and severe rainfall in certain regions.

Against this challenging backdrop, volume in our beverage business declined 7.4% in the quarter, impacted by a strong comparison base following three consecutive years of solid first-quarter growth.

We continued investing in market-focused initiatives, including expanding cooler coverage, and reinforcing affordability through our portfolio of returnable packages.

As a result, the mix of returnable presentations grew by 0.5 percentage points this quarter, a positive step in driving value and maintaining consumer relevance.

Our beverage operation in Argentina delivered solid volume increase of 19.8% in the first quarter.

Growth was broad-based, with sparkling beverages increasing 21.8% and Coca-Cola brand delivering a standout performance, up 22.6%.

In still beverages, Cepita led growth in Juices & Nectars, Aquarius drove gains in flavored water, and Monster continued to perform strongly in energy drinks.

Despite the still prevailing economic challenges, we gained value share across NARTD categories by driving affordability and promoting returnable packages.

We saw strong performance across channels. The traditional trade was one of the best performers in the quarter, up 14.9% and supported by our ongoing investments in market-focused initiatives, expanding cooler coverage, and increasing our share of visible inventory.

Argentina's economic trajectory in 2025 has been encouraging, with meaningful progress in reducing inflation and a significant appreciation of the local currency.

These developments are supporting stronger real wages and improving consumer confidence — a positive backdrop for our business.

Our beverage operation in the United States closed out the first quarter with solid profitability improvements and its twenty-eighth consecutive quarter of EBITDA growth.

This performance highlights the strength of our business model and our ability to successfully replicate the playbook that has delivered sustained results across our Latin American operations.

Net revenues for the quarter increased 0.4% to $994.6 million dollars. The average price per case rose 6.4%, reflecting a true rate increase of 2.8% and 3.6% in mix to reach $10.26 dollars.

These results reflect the successful execution of our strategy to optimize price-pack architecture, drive transaction growth, and effectively manage promotional spending, as we continue refining point-of-sale execution with a sharp focus on the key metrics within our Fundamentals.

Volume for the quarter declined 5.6%, cycling strong 2.3% growth from the same quarter of 2024.

Coca-Cola Zero was up 5% and the still beverages portfolio delivered 1.5% growth, driven by Body Armor, Powerade and Fairlife.

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Notably, Fairlife recorded a double-digit volume increase in the quarter, with Core Power significantly outperforming across channels.

We continued to focus on higher profit-per-case packages, such as 10-pack Mini Cans, Smartwater and Vitaminwater, which increased 16.3%, 7.5% and 2.7%, respectively.

The Topo Chico portfolio posted a 16.8% increase, with Topo Chico Sabores leading the volume growth.

This quarter, we continued driving innovation and launched over 50 new SKUs, including Coca-Cola Orange Cream, Barrilitos, BodyArmor Flash IV and Monster Killer Brew.

EBITDA grew 3.7% to $160.7 million dollars, representing a margin of 16.2%. This marks our most profitable first quarter since assuming control of our franchised territories in the U.S. —underscoring the structural improvements we've made to the business over time.

We're also proud to share a series of recognitions that reflect our operational excellence.

Our U.S. team earned the prestigious North America Market Street Challenge award for the third time in seven years - and for the second consecutive year, recognizing best- in-class execution across the Coca-Cola System in the United States.

Additionally, we were honored with Monster's Masters of the Claw designation for consistently leading in volume growth.

On the innovation front, our U.S.-based advanced analytics team continues to enhance critical commercial processes through scalable, data-driven solutions.

This quarter, we launched an upgraded version of our Suggested Order application, featuring enhanced value-capture modules designed to drive incremental growth.

To close our operations review, our Food and Snacks businesses started the year with solid results. During the quarter, we delivered double-digit sales increase and mid-single digit EBITDA growth.

This sustained earnings momentum was led by Bokados in Mexico, supported by effective pricing strategies, productivity enhancements, efficiency programs and consumer-centric innovation initiatives.

Now, I'd like to briefly walk you through the progress we've made in our sustainability agenda.

We continue to strengthen our energy strategy by increasing the use of renewable sources, which now account for an average of 43.3% of our total energy consumption. At the same time, we reduced our Scope 1 and 2 emissions by 32.6% compared to our 2019 baseline, marking a meaningful step toward our long-term climate goals.

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In water stewardship, we maintained a strong efficiency ratio of 1.52 liters per liter of beverage produced in 2024. This performance reflects our continued focus on implementing best-in-class practices and managing water responsibly across our operations.

We are proud to share that Arca Continental was once again recognized for its sustainability leadership, earning a spot in S&P's Sustainability Yearbook for the third consecutive year.

Moreover, we received the highest-level PRIME Certification from key financial institutions in Mexico, reflecting our strong corporate governance, financial discipline, and commitment to sustainable practices.

In closing, I'd like to highlight the recent release of our Annual Corporate Integrated Responsibility Report, which outlines our progress against key commitments, all under the vision of environmental leadership and a positive social impact.

With that, I'll turn it over to Emilio, who will walk us through our financial results. Emilio, please go ahead.

Emilio Marcos: Thank you Arturo. Good morning, everyone, it´s a pleasure to be with you today to review our first quarter performance.

Our first-quarter results were impacted by the volatility and slowdown of the global economy, resulting in a contraction of consolidated volume. However, due to our effective pricing strategy, diversification, and the foreign exchange effect, we delivered growth in the low-teens in sales and EBITDA.

Let me offer further insight into our financial results:

Consolidated Revenues increased 12.4% to reach $57 billion pesos, mainly driven by our price/pack architecture and exposure to the US dollar. On a currency-neutral basis, revenue grew 2.2%.

During the quarter, SG&A expenses increased 13.9% reaching $18.6 billion pesos, while the SG&A to sales ratio increased 40-bps to 32.6%. On a currency neutral basis SG&A grew 5.5%.

Consolidated EBITDA reached $10.6 billion pesos for the quarter, reflecting a 10.2% increase and 0.8% on a currency-neutral basis. The EBITDA margin experienced a dilution of 30-basis points compared to the same period in 2024, mainly driven by lower volumes.

Net Income rose 10.2%, reaching $4.1 billion pesos with a margin of 7.3%, a slight dilution of 10-basis points, mainly driven by the operating income result.

Now, moving onto the balance sheet:

As of March, cash and equivalents totaled $38.5 billion pesos, while total debt was $55.6 billion pesos, resulting in a net debt to EBITDA ratio of 0.3 times. We reported operating cash flow of $6.9 billion pesos. Our financial discipline serves as a robust foundation to face the challenging landscape.

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A dividend of $4.12 pesos per share was distributed on April 3rd, 2025, which represents a payout ratio of 36% of retained earnings and a dividend yield of 2.1%.

Total CAPEX investment during the quarter reached $3.6 billion pesos, representing 6.2% of sales, deployed in increasing production capacity and reinforcing our distribution and commercial capabilities to drive long-term growth and better serve our customers.

Going forward, our priorities will remain unchanged as we continue to leverage our developed RGM and digital tools to optimize our operations and foster growth. At the same time, we will maintain our financial and operational discipline to navigate the volatile environment we are facing. This approach will enable us to stay resilient and adapt to the challenges posed by the global economy, as we continue to deliver value to our shareholders.

That concludes my review. And now, I'll turn it back to Arturo. Please, Arturo.

Arturo Gutierrez: Thank you, Emilio.

While 2025 has started on a challenging note, I remain confident in our team's ability to execute with discipline, agility, and focus.

Despite temporary headwinds, we stayed true to our strategy —delivering results that demonstrate the strength and adaptability of our business model.

As external conditions begin to stabilize, we are well positioned to regain momentum and deliver on the full-year targets aligned with the guidance we shared earlier this year.

Thank you for your continued trust and support. Operator, please open the line for questions.

Operator: Thank you. And at this time, 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 Rodrigo Alcantara with UBS. Please go ahead, your line is open.

Rodrigo Alcantara, UBS: Good morning, Arturo. Good morning, Emilio. Thanks for taking my question. On the US, I mean, I would like to explore the following, right? I mean, when looking at retail sales, food retail sales, even at the Texas level, we did perceive a slowdown, right, but I mean it was still kind of like a 2 percentage growth of retail in general, right? I mean, just help us understand, I mean to reconciliate these numbers that we see in the retail as a whole versus the magnitude of the volume decline in the US, right? I mean, it's hard for me to reconcile this number again in this slowdown context.

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And number two in the US also, I just want to make sure here that perhaps the pricing that you have amazingly executed, I mean, is not having an adverse elasticity impact here. I wanted to understand your thoughts on this in the US.

And also, I mean on the positives, Argentina, amazing rebound there, many quality indications on operating leverage. So in this context, just wonder if you can give us any range, any guidance of where the EBITDA margin could be trending in 2025. I mean just for effect to have an idea here, right, again, as this rebound 20% volume growth, nothing that we have seen in, I don't know how many years. So the operating leverage would be here, something that maybe any of us are currently modeling. So would be helpful to understand here again on the Argentina volumes, if you can share something on this topic. Thank you very much for taking my questions.

Arturo Gutierrez: Thank you, Rodrigo. I will address the first part first. And well certainly we had a challenging quarter in our US market. The economy faced these unexpected challenges that led to increased caution among consumers and that impacted spending overall. Apparently, inflation concerns and rising prices of certain goods caused consumers to cut back on certain discretionary spending, and also the anticipation of potential tariffs. It's more of uncertainty than anything else, but that prompted consumers to adjust some spending habits.

You have to take into account probably two other things. One is that our comparison includes the transition of Dasani case pack, which we explained before, and that would account for approximately 30% of the contraction of our volume on a comparable basis versus the first quarter of '24. And the second effect there is that February '25 had one less day due to the leap year in '24, and then we had the shift in the Easter holiday that also has an impact. So all these factors contributed to the quarter challenges that we recognize it was a difficult environment for sure, but those two additional factors contributed to a bigger contraction. But certainly, the store traffic was down.

So in terms of pricing, we were pretty satisfied with our results in pricing, especially considering that if you look at pricing in the US total, price was up 6.4%. But true rate was only 2.8%. That means that we had a very positive shift in mix, which I think it's a positive sign of the consumer moving to some of the premium price and for us, more value-added packages and categories. Also, I think it reflects the work that we've been doing in our pricing tools and especially our promotional tools. So all in all, we know that we have to work on several fronts on innovation, our capabilities, on improving execution. There's a lot of things that are under our control and can be improved, and also on efficiency, on the efficiency front and protecting our margins. So in summary, overall, we expect growth in volume for the entire year, but for sure, this first quarter was very challenging.

Then moving to Argentina. In Argentina, well, quite the opposite. I mean, the comps were more favorable, as you know, in terms of volume. The economic context has drastically changed compared to previous years -- lower inflation and gradual consumption recovery. '24 was a transitional period, many adjustments and volume contraction. But now we're seeing significant volume expansion. And we will capitalize on our investments and a more favorable economic outlook. So our levers there are going to be obviously increasing volume, but also focusing our pricing capabilities. It's a very, very important capability at when

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even inflation is coming down, but it's still a challenge, and we have also cost inflation, and for that, there are also some advantages that we have, integrating into sugar, for example. And OpEx management is going to be critical throughout the year. But I will let Emilio expand a little bit on Argentina and the outlook for profitability this year.

Emilio Marcos: Sure, Arturo. Thank you, Rodrigo, for your question. And yes, as Arturo mentioned, we're coming last year volume decline on the quarter 26%. So, we were expecting this positive result in margin of around 20% this quarter. And looking ahead, we anticipate that volume will continue this recovery and the positive business performance, more stable inflation, and exchange rate. And we expect to improve even the current margins of this quarter of 15.4 for the full year. So we're very positive on the trend for margins in Argentina for this year.

Rodrigo Alcantara, UBS: Thank you. Thank you very much for that, Arturo and Emilio. So if I understood correctly, I mean, reasonable to model sequential expansion in Argentina. Is that correct?

Emilio Marcos: Yes. In terms of volume, yes, and in margin, the current margin first quarter was 15.4%. Last year, we had a margin full-year of 12.3% so we will expect to have an even better margin than this quarter for the full-year this year. But to be conservative, let's say that at least the current margin levels that we had this quarter.

Rodrigo Alcantara, UBS: Awesome. That was very helpful. Thank you very much.

Arturo Gutierrez: Thank you, Rodrigo.

Operator: Thank you. Our next question comes from Ben Theurer with Barclays. Please go ahead. Your line is open.

Ben Theurer, Barclays: Yeah, good morning Arturo, and Emilio. Thank you very much for taking my question. Just two quick ones. So number one on Mexico. Obviously, we know about the issues like the weather, the day that was missing in February plus the Easter shift. But maybe any color that you can give us in terms of like just consumer behavior on like a normal like cadence, maybe how was January versus February versus March? And what are you seeing so far in April? And does that give you any like confidence or ability to maybe work a little bit on the pricing side to drive the top line? So that would be my first question just on Mexico, the cadence. And then I have a quick follow-up for Emilio.

Arturo Gutierrez: Yeah, good morning, Ben. Well, yes, Mexico had also a challenging first-quarter. As you know, we were cycling growth from the past two years -- two consecutive years of significant growth in the first quarter. And there was a decrease in private consumption in this quarter. Consumption patterns were influenced last year probably with a pre-election period. And then we had this uncertainty that also prevailed in Mexico. I would add to that, same as in the US, we had some factors that were particular to us - some supply-chain issues that have been normalized, and then also the calendar headwinds that you mentioned. So what we have is insights from our own information, as you know, Yomp! is now providing interesting information in real-time. There was a decrease in consumption across industries, and that's evident.

But the resilience of the NARTD category was evident. Purchase frequency in our categories was less impacted compared to the overall basket. That's information that we have in our market. And in terms of channels, I think another positive thing is that the traditional channel was somewhat more resilient in Mexico as compared to the other channels. So I think that also shows a sign of resiliency of that channel in our markets.

But going forward and looking at trends for the rest of the year, we expect the rest of the year to be better. The second quarter comps are tough. You know, we had an extraordinary month of May, and this month of April actually has one less day. But when we compare the daily volume in the last few weeks of the first quarter and the average daily volume in April, I think we see positive signs of recovery. So that makes us believe that we can have better quarters as we move forward and we maintain our goals of growing volume in Mexico for the year.

And there are also reasons to believe we're going to be doing better, all the many, many things that we're doing that you know about - our new go-to-market models, investment in digital capabilities, our focus on affordability and also what we've been doing in our infrastructure for supply-chain manufacturing and distribution that will result in us serving the market in a much better way in the summer months that we expect to be very high volume. So that's the overall environment for Mexico.

Ben Theurer, Barclays: And then just if you can comment real quick on pricing dynamics. And then for Emilio, one question, I wanted to squeeze in. For some of your capital projects in the United States, have you seen any issues, constraints, be it, A, on labor availability or B, just the cost of raw materials going higher on some of the construction materials, just given the whole tariff-induced inflationary dynamics that we're seeing in the US? Those two quick ones.

Arturo Gutierrez: Yes. In terms of pricing in Mexico, Ben, our price first quarter was up 4.9%. Our true rate was a bit higher than that. We had a small mix impact from transfer from single-serve to multi-serve, which is typical in quarters where we have contraction in volume, but we did have growth in stills, which kind of that offsets it. So we are looking at a very similar pricing outcome for the year as we had anticipated. We actually had price increases starting this second quarter. So we're very much in-line to meet our goals. As you know, we are leveraging our tools for pricing and promotions. Our TPO, our promotional tool has reduced unproductive promo spend 30% versus the baseline of a few years ago. So that also continues to be very important for us as we meet our pricing goals in Mexico. So I'll turn it over to Emilio for your other question.

Emilio Marcos: Yes. Thank you for your question, Ben. No, we haven't seen any impact in labor. Not in construction, not in the availability for labor in all the operation. We've been working really hard on the culture and with people, and that I think we can see a very positive result on all these initiatives that we have in the business. The people engagement is very high. So we haven't seen any impact so far on labor.

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Arturo Gutierrez: Thank you, Ben.

Operator: Thank you. We will move next with Alvaro Garcia with BTG Pactual. Please go ahead. Your line is open.

Alvaro Garcia, BTG Pactual: Hey, good morning. Just two questions. One on the US, just sort of on how the US system is thinking about pricing versus big-box retailers in this environment? And my second question is on TUALI in Mexico. You mentioned 68% of orders from the traditional channel are being taken via TUALI now. What are sort of the key bottlenecks to push that number higher? And if you can maybe give some more color - you mentioned the sales uplift of 1.6 points. How do you isolate certain variables within that? And yeah, if you can give us more color on how you get to those 1.6 points, that'd be very helpful. Thank you.

Arturo Gutierrez: Yes, for sure, Alvaro, good morning. Well, in terms of pricing in the US, as I mentioned, we had a very good quarter in terms of pricing that was critical for our profitability in the first quarter. As I said, 6.4%. But it was an important mix effect of 3.6% in the first quarter driven by the high-profit per case SKUs that increased in their mix. As I said, the TPO, the promotional tool has been rolled-out very, very effectively. And we've been focusing on a very good price-pack architecture that includes pricing and promotions. We are working very closely with our retail partners. As you know, true rate is not the only lever here. We improve the mix and that requires working together to understand our consumers and especially to manage our promotions and make sure that they bring value to us based on the information that we keep collecting. So I think we have a very positive pricing scenario based on, again, on the investments that we've made in our tools, in our team, and the good relationships that we have with our retail partners.

With respect to TUALI in Mexico, though it's being rolled out, as you know, in the rest of Latin America, well, yeah, we've had a tremendous adoption of that platform. As of March '25, we have in our digital platform, which is, as you know, transitioning to TUALI, we have 760,000 customers registered. And that results in positive volume performance. I would say that more than having a percentage, which we actually have right now, as you know, 65% plus of the traditional trade's volume in Latin America is now being transacted digitally by the customers this year. But I would think that more than a specific percentage, it's not going to be a completely separate go-to-market connection with the customer versus our traditional way of selling. It's going to be more of an omnichannel strategy where you have the salesperson still interacting face-to-face, probably in some cases complementing or supporting the order placing of the customer that they had taken care of autonomously. So it's going to be a system where we have both our call center, our frontline sales force, and the digital platform interacting to reach our goals.

So we have very clear metrics of what we want to accomplish, not only in terms of sales uplift and adoption of our tools like suggested order algorithms, but very importantly, our net promoter score with customers increases. And as you know, that's what we are all about - of creating this customer intimacy and that will be the foundation for our leadership in the future in traditional categories and in new categories, and in other things that we are selling to the traditional trade.

But additional to that, I think it's very important to point out that this is not only a B2B platform. That's also part of the metrics that we're going to be following. It's the use of other features and functionalities of TUALI like a loyalty program that's being rolled out in Mexico and Ecuador, the buy now/pay later option that we keep exploring and rolling out in more of our markets. So the point here is that we're creating really an ecosystem with the traditional trade more than just a transactional tool for placing orders. And so we continue to refine that capability and we're very optimistic how that is going to transform go-to-market models for, I would say the entire consumer industry in Latin America.

Alvaro Garcia, BTG Pactual: That's very clear. Thank you very much, Arturo.

Arturo Gutierrez: Thank you, Alvaro.

Operator: Thank you. Our next question comes from Thiago Bortoluci with Goldman Sachs. Please go ahead. Your line is open.

Thiago Bortoluci, Goldman Sachs: Yes, hi, good morning, everyone. Thanks, Arturo and Emilio. Always a pleasure to talk to you guys. I have two questions. The first one is about further momentum and how it relates to your guidance, right? I appreciate there are a few tools and levers to deliver better momentum in Mexico, namely and chiefly the calendar, which is more favorable for this quarter. But when I see you are still reaffirming a guidance of high single-digit top-line growth while in this first-quarter with all these headwinds, you delivered 12% top-line growth, right? So I would just like to understand and reconcile, right, how this potentially better momentum going forward ties up with a guidance that assumes some moderation in revenue growth over the next few quarters. And I might follow-up with the second one.

Arturo Gutierrez: Yes, Thank you, Thiago. Well, you know, first-quarter was indeed a very challenging quarter and a slowdown in overall consumption in most of our markets. And we additionally, as I said, had tough comps in most of our markets as well. We know that several factors contributed to the decline in volume. And some of those factors, as I said before, are non-recurrent. But given our playbook's effectiveness and what has been proven over and over, across various challenges and various difficult contexts that we've gone through, we are very confident in future growth and most of all future profitability even in this volatile environment. If we focus on things that depend more on us and there are plenty of opportunities there.

We have our cooler placement strategy, which is part of the, I would say, the more traditional playbook, the expansion of returnable packaging, which we've been investing in our Latin American markets and that's also going to be critical to face these challenges, the use of the universal bottle in a wider portfolio of products and the new go-to-market models, which those are based on the implementation of digital initiatives. But that will increase value-creating activities of our frontline, improving our execution at the point-of-sale. And we have metrics for all of that, and those have been improving.

Also, and despite the challenges - the external challenges - we continue investing in the business. We maintain a long-term perspective and we're confident in growth potential in each market. As you know, we've installed many new lines, seven new lines in 2024, and we will install more in 2025, three more in

Mexico, US mainly, new distribution centers in those countries. So we will continue to capture volume opportunities driven by all these initiatives and the expansion of digital capabilities. So our main thesis here, Thiago, is that we have demonstrated resilience in difficult times, economic slowdowns throughout the pandemic. And we have delivered solid results -- but most of all, setting the foundations for a stronger leadership as conditions improve. So we expect those to be sequentially improving throughout this year, and we will come out much better-positioned for growth in the future. So that's why we maintain our guidance.

Thiago Bortoluci, Goldman Sachs: That's for sure. Thanks Arturo. And then the second one, I think prior to the call, we saw some headlines with some comments of the potential impact of tariffs on your business there. Could you guide us through -- obviously, this is still super volatile and ongoing, right? But potentially what could be the risks and the potential factors to mitigate that? I know concentrate prices is one area of attention. I would just like to learn from you, if anything, how the new cooperation framework could eventually protect you there, and what are the risks going forward? Thank you very much.

Arturo Gutierrez: Yes, well, despite this uncertainty about tariffs, one of the good things about our business is that we don't have a significant direct exposure to trade -- to bilateral international trade in sourcing of our inputs or the sale of our products. Our business is mostly local, both in our exports to the US of Mexican products, and also for sourcing of inputs. And that puts us in relative terms in a better position than some other companies that are facing more uncertainty. There is exposure though, and Emilio can comment on that, particularly in aluminum, which as you know, is a key raw material for packaging mostly in the US. So Emilio, can you expand?

Emilio Marcos: Yes, sure. Yeah, as Arturo mentioned, the only raw material that is having an impact from tariffs is aluminum. As we mentioned last conference call, the spot market of aluminum has already reflected some of the impacts on pricing but thanks to our hedges, we will be able to mitigate a significant portion of that impact. At the end, as Arturo mentioned, the impact for us is only in aluminum cans in US, and that could be less than 1% of COGS in our Coca-Cola Southwest Beverages in the US, considering that the tariffs remain at the current levels. And the products that we export to US like Topo Chico, Coca-Cola Nostalgia, Barrilitos, are excluded from tariffs because of the USMCA agreement.

Arturo Gutierrez: And even if they were included, it's less than 2% of the business.

Thiago Bortoluci, Goldman Sachs: That's great, guys. Thank you very much. Appreciate it.

Arturo Gutierrez: Thank you, Thiago.

Operator: Thank you. We will move next with Fernando Olvera with Bank of America. Please go ahead. Your line is open.

Fernando Olvera, Bank of America: Hi, good morning, and thanks for taking my question. The first question that I have is related to Mexico. If you can give us more color about what was the main driver of the margin contraction in Mexico, and how do you envision the recovery of margins going-forward? That's the first one. And I'll have a second one.

Arturo Gutierrez: Yeah, good morning, Fernando. I will turn it over to Emilio to talk about margins in Mexico, but I would say it's mostly driven by the volume contraction, which was quite severe. And as I mentioned before, we are seeing a recovery and a positive trend recently, but go ahead, Emilio.

Emilio Marcos: Thank you, Fernando, for the question. But yes, basically, the decrease in EBITDA in Mexico is mainly explained by the volume contraction during the quarter of minus 3.6%. In April, we have already observed a better trend in volume. So going forward, while we have still some challenges, we'll continue to evolve our commercial capabilities and digital transformation. And the advantage to offer to the consumer affordable options in our portfolio, we will continue with our disciplined OpEx as always, and with our hedges that we have already, we should be able to reach of the same EBITDA margin levels that we have last year. So this quarter, we expect next quarter to improve -- to have a positive trend as we have seen in April.

Arturo Gutierrez: And when you look at OpEx, Fernando, in terms of labor cost, it's not an entirely fixed cost. So it also has an anticipation of volume that as it declined, it impacted as well, but it's all connected to the circumstances in the market. So that's where we expect that to recover.

Fernando Olvera, Bank of America: Okay. And in this sense, does the pause in production in the Topo Chico plant generate extraordinary expenses?

Arturo Gutierrez: Well, not extraordinary expenses, but certainly, it was a disruption in our supply chain, which is again one of the explanations of our decline in volumes in the first quarter that is non-recurrent as the situation has now normalized.

Fernando Olvera, Bank of America: Okay. Great. And my second question is related to Peru. If you can elaborate more on your distribution agreement with Diageo and if you can share some highlights, it would be great. Thank you.

Arturo Gutierrez: Well, as you know, in Peru is one of the markets where we have the opportunity to expand our portfolio to other categories beyond our traditional beverage categories. And we've been exploring that with different partners. So I will ask Chuy to comment on that. I'll turn it over to him. Go ahead, Chuy.

Jesus Garcia: Thank you, Arturo, and thank you, Fernando, for your question. As you know, our current models currently consist of three categories, which focus on LatAm's traditional and on-premise channels, and that is beer, spirits and a basic assortment of groceries. In the case of Peru, we have a partnership with Heineken and that represents roughly 3% of our revenue. We also have a partner with La Caravedo, which has enabled us to increase the share of value for Schweppes, which is one of our products within the ginger category.

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And we recently closed a long-term distribution agreement with Diageo nationwide to sell in those two channels - traditional and on-premise. And what we have seen so far is a very good reception from customers related to the Diageo portfolio.

Fernando Olvera, Bank of America: Great, thank you.

Arturo Gutierrez: Thank you, Fernando.

Operator: Thank you. Our next question comes from Alejandro Fuchs with Itau. Please go ahead. Your line is open.

Alejandro Fuchs, Itau: Thank you, operator. Hello, Arturo, Emilio, and Jesus. Thank you for the questions. And I have a quick one on the US. Wanted to see if you could share with us maybe some of the early findings of the efficiency program that you have on the distribution level and the cost of serving consumers, and so on and how is the plan developing so-far? And what do you expect maybe for this year and then years to come in terms of efficiencies looking at the US business? Thank you.

Arturo Gutierrez: Thank you, Alejandro. Well, we have worked in a number of initiatives for efficiency in the US as part of, the kind of the next stage of our improvement or profitability goals for that market. And I would say that the most important ones are in our supply chain. And there are a large number of initiatives and we actually have a project management office to follow up and lead those. But one of the most important things that we're doing, as you know, is the investment in our manufacturing footprint in Texas and Oklahoma. In first quarter, we actually broke ground on all three sites for the project, which is our largest project in this market. It's a $267 million investment as you know, it was announced last year, and that will enhance significantly our supply-chain efficiencies and also will support growth for the future. We have three new lines. We have expanded warehouse capacity. We also have implemented process automation, which are initiatives that have a very good return in that market. So that will bring an improvement in our overall cost. Not in our secondary distribution, but in our overall supply-chain cost, both in production costs and warehousing and that will support, again, our margins and profitability going forward.

Another initiative was the new distribution center in Waco, Texas, also that was opened this year. So it also will support our efficiencies in our supply chain. This is also supported by new planning technology – it has improved our forecast accuracy and reducing out of stocks. So there are a number of projects that we're implementing, but these would be, I think the most relevant initiatives that will provide very important returns for the years to come.

Alejandro Fuchs, Itau: Thank you, Arturo, that was very clear.

Arturo Gutierrez: Thank you, Alejandro.

Operator: Thank you. Our next question comes from Felipe Ucros with Scotiabank. Please go ahead. Your line is open.

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Felipe Ucros, Scotiabank: Thanks, operator. Good morning, Arturo, Emilio and team. Thanks for the space. I think most of my questions have been asked, but I have a small one on Ecuador and Peru. In Ecuador, we're now kind of past the electoral uncertainty. There's still other challenges with utilities and others. But do you expect an improvement in Ecuador from here and out now that we're kind of past that electoral cycle?

And then in Peru, the economy hasn't been as bad as it has been in Ecuador, but -- and you also have easier comps on the next two quarters. So just wondering if you can comment on this quarter's weakness in Peru and how it might relate through the rest of the year? Thank you.

Arturo Gutierrez: Thank you, Felipe, for your question. Well, first of all, in Ecuador, well, the challenges that we faced have obviously impacted the consumer sentiment and volumes. There's an economic weakening, but also an insecurity crisis in the country that affects consumption and traffic to stores. There was also this first quarter some climatic disturbances, significant more rain than last quarter. So that's non-recurrent. And this pre-election uncertainty that also negatively impacted the economy and our business. So this obviously was expected to subside with the recent election outcomes, and that will bring more stability, more certainty. And so we expect that to improve.

We also, as you know, had tough comparisons of the two previous years with the growth of 3.5% and more than 7%. So we are forecasting volume growth actually for the second quarter and for the full-year, and that would be consistent with a moderate GDP recovery projection that we have in Ecuador. And also considering all the things that we're doing despite these headwinds and that would be a combination of the basic playbook, including coolers and returnable packaging. I would say those are the two fundamental strategies of things that we can control that are under our control. And then some of the more innovative things that we're doing in terms of digital capabilities and also of reinforcing our strategies, particularly for Powerade energy drinks that are bringing incremental volume. So that's our expectation for Ecuador.

In terms of Peru, well, Peru, the consumer confidence also declined and we had the tough comps of the last two years as well. Insecurity has also altered the behavior, I would say, in general in Peru. But we have a positive trend as well in the month of March actually. So we anticipate growth in the year as well. There's so many things that we can do in Peru to improve our business and that depend really on us. The adoption of the digital platform by the customers continues to grow, all the usability of the digital tools by our own sales force. And the opportunity that we have with Inca Kola that had growth in March, even outperforming Brand Coke, and just the deployment of coolers - 7,000 new coolers - and 12,000 new racks in Q1. That is going to bring incremental volume throughout the year. Still's performance in Peru is a huge opportunity for that market considering our market share. And so we've seen good growth in some categories, energy, flavored water, so those are very good signs of recovery for the future. So we have very good plans to mitigate external factors and at the same time, capitalize on a sequential improvement of the economy. So that's why we maintain our goals for the year.

Felipe Ucros, Scotiabank: Great. That's fantastic. And if I can throw a follow-up in there to the Diageo distribution question. Just wondering if you can talk about now that you've signed the Diageo deal in Peru,

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and you've had such a good experience, what does that kind of imply or guide for the rest of the markets where you were experimenting with Diageo?

Arturo Gutierrez: Well, every market has its own particularities and dynamics. We do think that there is a possibility for a good partnership with Diageo in some other markets. As Chuy explained, maybe there are some spirits that are more in demand in certain countries like Pisco in Peru or there would be other cases in particular countries, in Argentina. In Mexico, I think Diageo is a good opportunity as well. And we've been working with them in our western market, particularly in the Jalisco region.

So even though our core products are still our main focus, with the adoption of technology, these opportunities can be really leveraged if we find the right partner, the right brands and it does not really increase our routines in the market, it's really opportunities depending on finding the partner and the right brands in each of our markets.

Felipe Ucros, Scotiabank: Great. Thanks so much for the color.

Arturo Gutierrez: Thank you. Thank you, Felipe.

Operator: Thank you. Our next question comes from Renata Cabral with Citibank. Please go ahead. Your line is open.

Renata Cabral, Citibank: Hi, good morning, everyone. Thank you so much for the opportunity. Good morning, Emilio and Arturo. It's just a follow-up about commentary in the beginning of the call in terms of product mix in the US and opportunities. So yeah, my question is if you could give us some color of what opportunity you are taking right now in terms of product mix in the US? If it's more related to single-serve Coca-Cola Zero or other products? And if that could be related also to channel? We see the increase in traditional channel and the opportunity here for improvement in NARTD in the future? Thank you.

Arturo Gutierrez: Thank you, Renata. Well, the US, the mix of products that we've seen recently is basically a shift in mix to, as I said, to more of the value-added or high-profit per case products that has improved our average pricing. But we do see significant growth in some of the categories. Let me just mention some of the ones that are bringing incremental volume. It's Fair Life, it's Monster, it's Topo Chico. Coke Zero for sure has been a driver of growth in that market. So going forward, I think it's going to be a matter of capturing opportunities in those categories, adding to also innovation. As you know, in the US, we continue introducing a number of new SKUs to the market and in this competitive market, I think that is very important. We will continue to do that.

And I think it's basically working on three pillars: innovation on these categories, and supporting growth of this higher price per case packages. Second, working on our capabilities in the marketplace for better execution, including deployment of digital capabilities. And third, working on efficiencies in our operation, basically in our supply chain. So a combination of that, jointly with still working on the culture of that organization, which has improved significantly, as you know. We've had an improvement in engagement

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score over the past five years that has been a key element for our execution and performance. I think all of that is going to combine to sustain the margins, the historical margins that we've seen recently.

Renata Cabral, Citibank: Thank you so much for the color.

Arturo Gutierrez: Thank you, Renata.

Operator: Thank you. We will move next with Henrique Morello with Morgan Stanley. Please go ahead.

Henrique Morello, Morgan Stanley: Hi, Arturo, Emilio. Thank you for taking my question. I just want to quickly explore a bit the market share trends in the US. We noticed in the consumer takeaway data, we follow some market share losses for Coca-Cola in soft drinks and the cola categories in South US during the quarter. So just wondering if you also saw that in our operations and if it's perhaps related to competition being more aggressive or if you have any other takes on why that happened? And if you also could explore if you are planning any promotions or other initiatives to recover that share, that would be helpful as well. Thank you very much.

Arturo Gutierrez: Yes, thank you, Henrique. Well, share of market, share of volume for in our categories experience natural quarterly fluctuations. So what we try to look at is like longer-term trends. What I can tell you is over the last two years in the US we have consistently shown a positive or stable trend throughout -- in all of our categories. So we do track very particular movements in share and we can react accordingly, as you say with our promotional activity or any adjustment that we need to make in our packaging. But all in all, we're pretty satisfied with the performance that we had in terms of our share in the last few years in that market.

Henrique Morello, Morgan Stanley: That's clear. Thank you.

Arturo Gutierrez: Thank you, Henrique.

Operator: Thank you. We will move next with Antonio Hernandez with Actinver. Please go ahead. Your line is open.

Antonio Hernandez, Actinver: Hi, good morning, Arturo and Emilio. Thanks for taking my question. Just a quick one. You've been mentioning -- you've been providing quite a lot of color regarding operations in the US, but if you could maybe talk a little bit more of how much of this benefit in sales and margins is originated from innovation, how much do they represent, and how much do they positively benefit sales mix? Thanks.

Arturo Gutierrez: Thank you, Antonio, so your question is about margins, how they have evolved and what are the drivers behind that?

Antonio Hernandez, Actinver: How much -- well, particularly innovation in the US, how much do they contribute to both sales and profitability? If you could provide a little bit more light on that?

Arturo Gutierrez: Yes. Well, I think innovation in a broader sense has been very important for our margin expansion in the US in the last few years, but it has been reflected in many different aspects. I would say pricing is critical, obviously. As I said, promotion optimization in the US, which also has improved 25% our promotional spend since it was implemented. So it tells you how – and this is innovation because it's a new technology and how we incorporate the information that we have into our models. So that's for, let's say, the top line.

Then innovation in packaging, I mean products, it's also important. We continue to introduce a big number of SKUs to that market every year, and we're going to do that this year as well. We sometimes there in and out initiatives and some would stay for a longer time, but we've had the flexibility to do that.

And then you have all the projects in our supply chain and throughout our operations that would improve our profitability and our production and warehousing cost per case. Our lines are now more agile and flexible and faster. That has required investment over the years. Same thing of what we are doing now in Fort Worth and San Antonio, and Oklahoma and that is innovation in processes in our plants.

The other important thing that's also part of the changes that we made and the innovation in our processes is on our SNOP sales and operation planning and the technology that has been incorporated there. And it reflects in many different ways, in less waste, better prediction of our demand and better supply to the market. So a reduction in out-of-stocks, there are so many indicators where that is reflected. So that is, I would say, in general, a culture that we've tried to install in our US operation.

Antonio Hernandez, Actinver: Okay. Thanks for the color.

Arturo Gutierrez: Thank you, Antonio.

Operator: Thank you, we will move next with Ulises Argote with Santander please go ahead. Your line is open.

Ulises Argote, Santander: Hey guys, thanks so much for the space for questions. I just had a quick one, I think similar to one that was asked, but this time focused on competitive dynamics in Mexico. So there with the challenging kind of consumer environment we're seeing in the country and the volumes we saw obviously for the first quarter, I just wanted to double-check with you if there's anything worth noting there from competitions, any step-up, any change in the dynamics there or basically we're still in that scenario where you guys keep outperforming the rest of the peers? Thank you.

Arturo Gutierrez: Yes, well, Mexico, as you know - and thank you, Ulises - is a very competitive market. We have our traditional competitors and some others coming in. What we now is that we have increased our weekly plus consumers in Mexico. I think that is very important to the health and the growth of our brand and particularly brand Coca-Cola. And we've been leveraging also the flexibility of our model. And I think that is really important for the introduction of returnable packaging especially in times that are more challenging as we are seeing now. So all-in-all, we are confident in our price-pack architecture and our

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brands and investments that we're making -- but for sure, this year is going to be more challenging than others. But as I said before, we expect sequential recovery and growth at the end of the year.

Ulises Argote, Santander: Very clear.

Arturo Gutierrez: Thank you, Ulises.

Operator: Thank you. We will move next with Froylan Mendez with JPMorgan. Please go-ahead.

Froylan Mendez, JP Morgan: Good morning. Thank you. So a question on the US. We've been hearing about SNAP program potentially removing soft drinks from their purchasing a basket, let's say. Have you made any analysis, or do you have any sense on how much this could impact demand for your product in the US?

Arturo Gutierrez: We don't have a specific impact. We keep analyzing all those of initiatives and potential changes in regulation and also how to mitigate that. But no, we don't have a specific number to provide at this point.

Froylan Mendez, JP Morgan: Okay. And just as a follow-up, just to understand better the impact of the Topo Chico maintenance, if you could give us more color on volume and margin impact, just to understand how much was a non-recurring on the drop this quarter?

Arturo Gutierrez: Well, first of all, the Topo Chico situation only impacted Mexico. Not the US market. We had plenty of inventory in the US. Actually, Topo Chico in the US was one of the categories that grew significantly. So the impact was...

Froylan Mendez, JP Morgan: Sorry I meant in Mexico, sorry if I wasn't clear.

Arturo Gutierrez: No, no. You were. I was just clarifying the point. So in Mexico, if we look at decline in categories, water declined 28% in Mexico. And that was driven mostly by sparkling. So that gives you an idea of the impact. But the volume, we expect that to be recovering throughout the year now that the situation is normalized.

Froylan Mendez, JP Morgan: Understood. Thank you very much.

Arturo Gutierrez: Thank you, Froylan.

Operator: Thank you. Our next question comes from Carlos Laboy with HSBC. Please go ahead.

Carlos Laboy, HSBC: Yes, good afternoon, everyone. Arturo, the Dr Pepper relationship is really important to you and we don't hear a lot about it. Can you speak a little bit to how that relationship is working for you and how the really strong focus we've seen that you have behind those brands in some of your markets in Texas is helpful to how you sell Coke better as well?

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Arturo Gutierrez: Yeah. Thank you, Carlos, for that question. I think it's really important because first of all, it tells you how what we are about is building strong partnerships with great brands and getting them to the market in an effective way and creating the connection with the customers. So we've done that with our main partner, The Coca-Cola Company, for almost 100 years. But I think Dr Pepper is also a great example of a very strong partnership. And as I mentioned in my initial remarks, we were recognized by them as being one of the best partners in the US. We've been leading volume in that market. But I think the important point is what you mentioned, we are convinced that at least in our market in Texas, the Dr Pepper brand and Coca-Cola complement each other very effectively.

As you know, Dr Pepper is the number two-brand in the state. And so they reinforce each other as we go to market, and that also has resulted in very, very good results, both for us in brand Coca-Cola and Dr Pepper as well. We don't have that in all of the Texas market, as you know, and that allows us to compare. So we know how strong Dr Pepper is and how we perform better if we are if we have this unified approach to the market. And they're also very good in innovation. And I think we've also worked with them very closely and effectively in launching the innovation pipeline that they have.

Carlos Laboy, HSBC: Thank you.

Arturo Gutierrez: Thank you, Carlos:

Operator: Thank you. And now, I turn the call over to our CEO, Arturo Gutierrez, for closing remarks.

Arturo Gutierrez: Thank you and thanks all for joining today’s call and for your continued interest and trust in our company. As always, our Investor Relations team is available for any follow-up questions. We look forward to connecting with you again in the next quarter. Thank you.

Operator: Thank you. This does conclude today’s call. You may now disconnect.

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