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Arca Continental
Third Quarter 2025 Earnings Call Transcript
October 23, 2025 @ 9:00am CT

Operator: Good day, everyone, and welcome to the Arca Continental third quarter 2025 conference call. 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 third quarter and first nine months 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, everyone and thank you for joining us today to review our results for the third quarter and to share some important recent developments.

Let's begin with our consolidated results.

I'm pleased to report another quarter of solid execution and sequential progress across our territories, even as the broader economic environment remains challenging.

Our teams continued to navigate market headwinds with agility and discipline, driving robust profitability.

Total consolidated volume declined 1.8% in the quarter, while consolidated revenues grew 0.5%, supported by effective portfolio mix, and revenue management, partially offset by unfavorable FX impacts.

Consolidated EBITDA grew 1.2% in the quarter, reaching a margin of 20.4%.

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This achievement marks a significant milestone, with third-quarter EBITDA margin at its strongest point since the acquisition of our U.S. operation in 2017.

These results underscore our relentless execution, the strength of our portfolio, and our continued focus on driving profitable growth.

Let me expand on the results across our geographies.

In Mexico, unit case volume, excluding jug water, declined 2.9%, largely reflecting the impact of heavy rains and below-average temperatures across much of our territory.

Despite these temporary weather-related pressures, still beverages grew 2.2%, led by tea, juices and nectars, and energy drinks, capitalizing on the positive momentum in the supermarket channel.

Coca-Cola Zero continued to outperform, delivering sequential double-digit growth, supported by the introduction of the new 450-milliliter format, which continues to resonate with consumers seeking convenient and affordable options.

Santa Clara brand continues to deliver strong performance in Mexico, achieving double-digit volume growth rates, supported by robust momentum in flavored and specialized milk.

We continue to gain value share in the value-added dairy category, reflecting the strength of our innovation and disciplined execution.

Net sales grew 2.8%, with average price per case, excluding jug water, up 6.4%, underscoring our strong revenue management capabilities.

EBITDA decreased 3% in the quarter, resulting in 23.9% margin, reflecting our disciplined commercial execution and solid revenue management capabilities in a softer demand environment.

In South America, total volume declined 0.6% in the quarter, primarily due to softer performances in Ecuador and Argentina. This was partially offset by growth in Peru.

Total revenue declined 13.6% and EBITDA was down 1%, with a margin of 18%. This quarter reflects a steady, though cautious progression of the recovery that began in the first half of the year, with meaningful variation across countries.

Collectively, our South American operations are advancing through a period of disciplined stabilization, setting the stage for more balanced and sustainable growth ahead.

In Peru, total volume increased 2% in the quarter, supported by a stable economic environment and resilient consumer demand.

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Growth was broad-based across categories, led by sparkling up 1.7%, stills up 1.9%, and water at 4.8%. Our core brands Coca-Cola, Inca Kola and Sprite delivered strong growth, up 1.2%, 1.6% and 8%, respectively.

Volume recovery remained consistent across channels, with convenience stores leading the way, up 22%.

Supermarkets showed a sustained rebound, while traditional trade maintained solid momentum, supported by our effective price-pack and cross-category strategies, further enhanced by our digital capabilities.

Turning to Ecuador, volume declined 1.2%, reflecting softer market conditions and a fragile, yet gradually improving, macro environment.

Even so, our team remained focused on executing our fundamentals and driving performance in the areas within our control.

We sustained our value share in NARTD beverages, driven by continued growth momentum in still beverages, up 3.6%.

In the sparkling category, Coca-Cola Zero once again delivered solid growth of 2.2%, while Fanta and Fioravanti grew 6.2% and 3.6%, respectively.

The water segment rose 3%, showcasing the strength of our diversified portfolio.

We also continued to refine our price-pack and channel strategies, drive the adoption of returnable packages, and invest in targeted market initiatives to strengthen our long-term position.

Year to date, we have installed more than 17 thousand cold-drink units, further enhancing our market coverage and reinforcing execution at the point of sale.

In Argentina, volume declined 5.6% in the quarter, reflecting the near-term effects of the country's economic adjustment.

Nevertheless, we gained value share across NARTD categories, supported by our sparkling portfolio and our continued focus on affordability and returnable packaging initiatives.

While volatility remains, our disciplined execution and agile commercial approach position us well to capture growth as conditions normalize.

Our beverage business in the United States delivered another strong quarter, sustaining solid momentum and achieving robust operating results. This marks our 30th consecutive quarter of EBITDA growth.

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Adding to this momentum, our U.S. team was recognized as the best Coca-Cola bottler in the world, receiving the prestigious Candler Cup. We are proud to be the only bottler to have earned this award twice, underscoring our operational excellence and market leadership.
These impressive milestones reflect our team's consistent execution and the strength of our business model.

Solid performance this quarter was driven by effective management of our price-pack architecture, disciplined cost controls and continued focus on maximizing the value of our most profitable packages.

Net revenues rose 3.5% this quarter, with the average price per case up 4.8%, supported by our strategic focus on boosting promotional efficiency through our Trade Promotion Optimization digital platform.

Volume for the quarter declined 1.3% and transactions grew 0.1%. Key performance highlights included a 5.9% increase in our low-calorie portfolio, led by Coca-Cola Zero, Diet Coke and both Diet Dr Pepper and Dr Pepper Zero. In the stills portfolio, Monster, Fairlife, Core Power, and Smartwater continued to post sequential growth, supported by robust brand execution.

Notably, EBITDA increased an outstanding 9.7%, representing a margin of 17.2%.

In an important update on our digital agenda, our E-Commerce business continued to deliver strong results, driven by enhancements in our eB2B capabilities and outstanding execution in the E-Retailer space.

I'd like to close our U.S. update by sharing our excitement for the 2026 FIFA World Cup and our role as Host City Supporters for the Dallas and Houston venues.

Through this partnership with the World Cup Organizing Committee, we will actively support the cities' legacy programs and showcase our brand through targeted initiatives that engage fans and local communities.

Our Food and Snacks business delivered a resilient performance, posting a low single-digit sales decline for the quarter.

While facing top-line challenges, our team remained focused on profitability through effective price management, portfolio optimization, and operational efficiencies.

In line with our broader sustainability objectives, we continue to advance the Clean Label initiative across our U.S. snacks portfolio. This includes the removal of artificial colors, flavors, and preservatives, as well as the simplification of ingredient lists.

These efforts exemplify our commitment to transparency, product integrity, and long-term consumer trust. And with that, I will now turn the call over to Emilio. Please Emilio.

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Emilio Marcos: Thank you, Arturo. Good morning, everyone, and thank you for joining our call.

As Arturo highlighted, the same factors that influenced our performance in the first half of the year continued to play a significant role in the third quarter. Macroeconomic conditions remained challenging, and weather conditions were still unfavorable. Even so, we had a sequential improvement in volume for most of our operations, demonstrating strong team performance despite challenges.

The improvement in volume, together with our solid Revenue Growth Management capabilities and disciplined approach to expense control, resulted in an expansion of our consolidated EBITDA margin.

Let me offer further insight into our financial results:

In the third quarter, consolidated revenues increased 0.5%, reaching $62.9 billion pesos. Revenues for the nine months of the year rose 6.6% to $183.4 billion pesos mainly driven by an effective pricing strategy. On a currency-neutral basis, revenue rose 3.8% in the quarter and 3% year-to-date.

During the quarter, SG&A expenses rose 1%, reaching $19.4 billion pesos. Despite the contraction in volume, SG&A-to-Sales ratio was fairly in line with 3Q24 at 30.8%, reflecting our continued commitment to operational discipline.

In the quarter, gross profit increased 1.2% to $29.5 billion pesos, while gross margin expanded by 30-basis points, due to our solid price/pack architecture and solid hedging strategy.

For the quarter, Consolidated EBITDA increased 1.2% to $12.8 billion pesos, with a 10-basis point margin expansion, reaching 20.4%.

In the 9-month period, EBITDA grew 6.1% reaching $36.6 billion pesos, while EBITDA margin decreased by 10-basis points to 20%.

On a currency-neutral basis, EBITDA rose by 2.6% in the quarter and 2.2% as of September.

Net Income in the third quarter reached $5.3 billion pesos for an increase of 3.5% and the net profit margin increased by 20-basis points to 8.4%.

Now, moving onto the balance sheet:

As of September, cash and equivalents totaled $32.3 billion pesos, while total debt stood at $63.9 billion pesos, resulting in a net debt to EBITDA ratio of 0.62x times.

Total CAPEX reached $11.8 billion pesos, representing 6.4% of sales. The investments were primarily directed toward expanding our production capacity, ensuring that we are well positioned and sustain future growth. We also continued to enhance our distribution and commercial capabilities, which are key enablers of our long-term strategic plan.

Looking ahead, we expect market volatility to remain through the rest of the year. We remain confident in our business strength and ability to create shareholder value despite challenging conditions.

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Our disciplined approach to expense management will remain a cornerstone of our strategy, supporting profitability and long-term growth.

That concludes my remarks. I'll turn it back to Arturo. Please, Arturo.

Arturo Gutierrez: Thank you, Emilio.

As we reflect on this quarter, our disciplined execution enabled us to protect volumes, sustain market share, and maintain profitability even in challenging conditions.

Furthermore, as we mark the third year of our collaboration agreement with The Coca-Cola Company, this partnership continues to deliver on its core objectives while unlocking new opportunities through a broader portfolio.

At the same time, we are staying proactive on regulatory developments and pursuing strategic initiatives, ensuring our readiness to capture growth when market conditions improve.

By balancing resilience with agility, we're positioned to deliver a strong and sustainable performance across cycles and continue creating long-term value for our shareholders.

We are focused, ready, and energized to capture the opportunities ahead.

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 Ulises Argote with Santander. Please go ahead, your line is open.

Ulises Argote, Santander: Thank you. Hi, everyone. Thanks for the space for questions. My question is related to the margins in the US, right? So, another quarter with positive surprises there. I was just wondering if you could give us some color on what continued to be the main drivers there and the main levers despite that slowdown in top-line that we're seeing? And maybe just to pick your brain on how sustainable do you think the trends are going forward? Thank you.

Arturo Gutierrez: Hi, good morning. Thank you, Ulises. Well, first of all, we have to say that we're very satisfied with the profitability in our US business, considering also that we faced many challenges in that market, as you know. Third quarter we grew EBITDA in dollar terms close to 10% and our margin is about 17%, which we -- again, we're very pleased with that. The drivers behind it, as we've said before, our pricing capabilities and also the management of promotions. We're looking forward to combine this premiumization of our portfolio with also a price architecture that would cover all segments considering again the economic dynamics.

We've also worked on efficiency projects. And I would say that our OpEx ratio has shown this operational discipline. We expect that also to be sustained. There are some efficiency projects underway. And in fact, one of the most important ones will not be fully captured in '26, you know, the Wild West Project that we call, which is the restructuring of supply-chain and some of our plants and warehouses in the US.

We also are looking at input costs in '26. They're expected to rise due to inflation, but we do have also a strong hedging strategy. I will ask Emilio to expand on that part. But in general, I would say that we are very confident for '26 to sustain our current margins.

Emilio, why don't you expand on our raw materials and hedging situation?

Emilio Marcos: Yes. Thank you for your question, Ulises. Yes. For this year, as we have mentioned, we have covered 97% of our LME needs in US and 48% of Midwest Premium portion for this year, and 79% of high-fructose needs. And we started to hedge for next year. For 2026, we have 95% of our LME needs next year and 20% of Midwest Premium. So that will allow us to, together with what Arturo already mentioned, to consolidate the margin levels that we have this year and we expect it to reach those levels -- at least those levels for next year.

Arturo Gutierrez: Thank you, Ulises.

Ulises Argote, Santander: Thank you very much. Super clear.

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

Thiago Bortoluci, Goldman Sachs: Thank you, operator. Good morning, everyone. Thanks for taking our questions. Arturo, a question on you for Mexico, right? How should we read the combination of negative sparkling volumes with returnables losing participation in your mix? And if I may expand, the reason I'm asking this is because the big debate today in this space is clearly how much of the drag is structural versus temporary issues, namely comps, weather and another, fuel.

So it would be very helpful to hear your perceptions on how you're seeing underlying elasticity, affordability, price-pack performance and overall performance by channel. And again, if we can read anything between your volume print and your packaging performance in the quarter, especially in a context where weather conditions didn't help? Thank you very much.

Arturo Gutierrez: Thank you, Thiago. Let me start by giving the context of the consumer environment in the third quarter in Mexico. As you said, this is a combination of not very favorable weather, increased rainfall, cooler temperatures...it was very, very unusual. Rainfall was probably 40% higher than usual in the North of Mexico, even more than that, maybe in some cases just double and triple in the West regions for us. So temperatures also affected volumes and consumption and traffic throughout the quarter. There was also the economic dynamics where activity slowed down, and any activity really was driven by exports rather than domestic demand. So internal consumption has been reduced and special retail activity and traffic weakened. I would like to think that that is also temporary, not only weather, which would naturally, you know, be different as we think about next year. But in terms of the economic weakness, we believe that as we gain greater clarity around trade rules and tariffs and the relationship with Mexico and bilateral trade with the US, that will enhance Mexico's competitiveness and will revive investment, formal job creation and with that, domestic consumption.

If you look at returnable packages, well, so, the main reason is that supermarkets were basically the only channel that grew volume in the third quarter and that was driven mostly by intensified promotions considering, you know, the current situation. But we're going to be pursuing our strategy of affordability going forward in Mexico, which means entry-level packages, both returnable and non-returnable packages in 235, 12-ounce, 250 ml, one-way packages, the 450 that probably you've seen in the market, one-way, very important for us. The multi-serve refillable format - what we call the Universal Bottle. All those strategies will continue to move forward as we face these challenges. So that is -- it's hard to isolate the effect of weather and the economic situation, but we are convinced that those are the main factors. Our execution in the market continues to improve and our leadership in the market as well, which we believe that's the most important part.

Thiago Bortoluci, Goldman Sachs: That's helpful. I got it. Thank you very much.

Arturo Gutierrez: Thank you, Thiago.

Operator: Thank you. We will move next with Benjamin Theurer with Barclays. Please go ahead. Your line is open.

Benjamin Theurer, Barclays: Hi, good morning, Arturo, Emilio. Thank you very much for taking my question. I wanted to get a little bit of how you think about pricing going forward. I mean, obviously, we know about what's in the proposal in terms of taxes for the different categories. But as we think about the raw material inflation you face and what you usually pass on, what is your strategy going to be towards the end of the year and then into next year?

How should we think about pricing? How much is needed for the taxes? How much would you do on top of it? And what are like, kind of like the sensitivities you're looking at as it relates to your volume if you were to raise those prices? Thank you.

Arturo Gutierrez: Thank you, Ben. First, let me talk in general about our pricing strategy, which really has not changed. And I think under these market conditions, it's demonstrated that these capabilities do work very effectively of increasing prices in-line or above inflation in every business unit, and this requires not only this very advanced pricing tools that we have designed jointly with The Coca-Cola Company, but also leveraging the trade promotion models, which operate at a local level.

So I think for years we have demonstrated these capabilities, which as I've said, if there is one fundamental capability that consumer goods companies need to get right now for the future is precisely revenue management. So for us, it's combining affordability, and also a premiumization strategy, as I said before.

We will continue to monitor those pricing dynamics and make sure that we are competitive in the marketplace.

And then going specifically to your point about taxes and Mexico, well, this tax that we are expecting to be implemented for '26 would require us to pass through the impact via prices. And as you know, we've done that before, actually 12 years ago. And we have estimated that that increase would be in the range of 8% to 10% probably up and that we would have to add inflation after that considering that we want to remain competitive in terms of margins in '26.

So we don't know exactly what the elasticity would be, but there's certainly going to be an impact in volume for next year. We have some of the learnings of past elasticity patterns following similar adjustments in 2014. But at the same time, we have so many things that work in our favor in the Mexico market going forward. I mean, there are reasons to believe that we're going to be able to mitigate part of that impact. And there are many factors I mentioned before - the impact of unfavorable weather this year. We also faced this difficult economic situation.

We expect normalization next year considering the challenges we faced with brand retaliation that you know about, some product constraint in our supply-chain, particularly Topo Chico in '25. And the opportunities to keep deploying our digital capabilities that are still going to be rolled out, some of the new features. And very particularly the incremental demand that would be driven by the major events in Mexico and the US - the FIFA World Cup. In Mexico, we're also going to have the 100th anniversary of Coca-Cola in Mexico. So there's so many things that will work in our favor considering that certainly it's going to be a challenging volume situation as we pass along the tax that has been imposed - - that's going to be imposed.

Benjamin Theurer, Barclays: Thank you very much for that explanation. Very clear.

Arturo Gutierrez: Thank you, Ben.

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

Felipe Ucros, Scotiabank: Thanks, operator. Good morning, Arturo, Emilio and team. Thanks for the space. A quick question on the taxes in Mexico. Of course, not great news getting this tax increase - wondering if you can comment on a couple of things.

The first one is the differences between this tax and the one that we saw 12 years ago. No tax for beer were changed. So the gap between soft drinks and beer, I guess, is changing. And I'm wondering if you can comment on what type of impact you would expect from that differential and whether it's material for us to monitor it or you think the occasions are so different that it's really not a concern?

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And then the second question related to this is, it looks like there's more serious incentives in place to move the consumer towards no/low options. So, I'm wondering if you can talk about how this may change profitability and returns for the business in the long run, if at all?

And I'm talking about there's differences on the price per unit of sweetening from sucralose and sugar. Perhaps there's a margin differential between the different presentations and concentrate pricing might also be different. So just wondering If there's going to be like a change on the profitability of the business in the future from the change to no/low categories? Thank you.

Arturo Gutierrez: Thank you, Felipe. Well, to the first part, we really don't anticipate an impact from any difference in the tax treatment of other categories really. We're looking at the dynamics within our own industry for sure. And in this case, as you saw, we really have a commitment to reduce the calories in our portfolio going forward. And this is not something that is new or that is improvised by the system. We've been for years developing and promoting options with less sugar and with no sugar in Mexico and in other markets.

So now what we intend to do is to offer more proactively our broader portfolio, a more balanced and lower calorie portfolio. And those are part of the commitments we've made with the government as we discussed the implementation of the tax. So as part of that, we also want to promote competitive prices and affordable Coca-Cola Zero packages, particularly. This, as you know, has been a great innovation in our portfolio.

Coke Zero continues to grow, and we will connect that also even to the FIFA World Cup next year. Coke Zero will take center stage in many of the campaigns connected to the World Cup. In terms of profitability, we don't think that that will really affect overall profitability going forward.

Felipe Ucros, Scotiabank: Great. That's very clear. And if I can do a second one on sales in Mexico, they did very well. And it's another quarter with the same categories, tea, energy and juice doing very well. So I was wondering if you could talk a little bit about what you're doing there and why the category is behaving differently from others during adverse weather? Is it that the elasticity for this category is a little different or it's more a case of things that you're doing at the micro-level?

Arturo Gutierrez: I think it shows the opportunity that we have to grow these categories. As I said before, energy and juices and sports drinks and tea, they're underdeveloped really in the Mexican market. So, we have proved that we can be successful in those categories as well. I think that's very important as you look at the story of Powerade in the last 15 years. And now you see Santa Clara, which I mentioned. Also it's a great success story. Tea grew 22%, juices grew 6%, Monster continues to grow. So, I think it's interesting to see them grow even under very challenging conditions, which means the great opportunity that we have to increase the per capitas of these categories that they don't compare very favorably to more developed markets like our own US market. So it's very promising to see them grow even under more challenging conditions. So we're excited about those possibilities and especially that we can be leaders in those categories as well as we've also demonstrated.

Felipe Ucros, Scotiabank: Great. Thanks for the color there.

Arturo Gutierrez: Thank you, Felipe.

Operator: Thank you. Our next question comes from Rodrigo Alcantara with UBS. Please go ahead.

Rodrigo Alcantara, UBS: Hi, hello. Good morning, Arturo, Emilio. Nice to hear from you. Want to go deeper into some of the comments about the commitments regarding, you know, with the government ahead of the tax discussion, right? In this conference the government and the Coke system hosted a couple of days ago, as you mentioned, there were some commitments in relation to this trend of increasing low-carb categories, etc, etc, right? Like, namely the reduction of, or commitment to reduce by 30% the caloric needs of your products in a period of, if I'm not mistaken, one year, something like that, in addition to other commitments, right?

So the question here would be how much of a challenge would be - in your view - is implementing this, right? How are you implementing this? And possibly link it to the previous question, if as a result of implementing this we may see some impact on margins or profitability, which I think you already said no, right? But I mean just to confirm that. That would be the main question.

And the other one just to be clear is the one that we're receiving from investors as we speak. We have seen macro numbers in Mexico at the margin not looking as good as we may desire, right? Retail sales in September quite weak. So I mean, how would you think 4Q would be shaping up in terms of volumes talking from a consumer demand perspective in Mexico? That would be my question. Thank you very much, Arturo.

Arturo Gutierrez: Thank you, Rodrigo. Talking about the taxes and also the commitments, as I said, this is really not new for us in terms of the commitments that we made with the government, with Congress. This is part of this plan to strengthen our caloric reduction innovation and this has been around for years. So the plan builds on the calorie content that we've actually been testing in the market for a long time in the Coke portfolio. So, here what we're going to do is just to continue the migration. So those commitments are actually part of our own strategy in the last few years and also part of the promotion of Coke Zero that has been our strategy as well. But I think the most important takeaway of those commitments is how we remain committed to be part of the solution, and how we've been able to have a dialogue with the government and stakeholders. And how this collaboration really highlights our ability to engage constructively with the government and adapt to the frameworks and advance really our journey towards a more sustainable and health-focused portfolio, because we really share with the government the need to advance in reducing obesity rates in the country. So, we want to be, again, part of that solution. So, I think that's the main takeaway that all this story about tax implementation concluded with a very, very constructive dialog and conversation with government.

And then talking about volumes, and profitability. Our concern is not really that this transition to a low-calorie or no-calorie version is going to impact our profitability. Obviously, the impact will come from the volume decline that will be the result of the elasticity in these categories. But again, as I mentioned, looking forward in 2026, we have many things to be positive about as we compare with '25 where we've had so

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many negative factors combined with -- for the performance that we are seeing so far and that we expect to continue to see throughout the end-of-the year. So that is why aside from our ability to pass through the tax and pricing in a smarter way, promoting the packages that we believe are important to protect. I think also we have all these others mitigating effects that I mentioned before, including our promotional activities, the FIFA World Cup, and also the uplift we've seen from the deployment of our capabilities that we've been talking about before. So all-in-all, I think we're better -- we're good positioned to mitigate that impact.

Rodrigo Alcantara, UBS: Thank you.

Arturo Gutierrez: Thank you.

Operator: Thank you. We'll move next with Lucas Ferreira with JP Morgan. Please go ahead.

Lucas Ferreira, JP Morgan: Thank you, Arturo, Emilio, everybody. Sorry to insist on the IEPS topic. And just comparing and contrasting 2014 with the situation you guys will face in 2026, what are the tools you think the company has now in hand to mitigate the impact and mainly talking about the price-pack architecture, but also you know the sort of more developed relationship with The Coca-Cola Company, a better partnership I would put it this way? And if you can speak about generally about your, let's say, market share expectations for next year, if you think this is a situation, obviously challenging situation, or at the end of the day, could help you even expand your share. So how to think about that?

And also if I may a quick follow-up on the very short-term, obviously, second quarter for Mexico was already better and sorry, third quarter better than the second. If you expect to end the year on a better note how sort of the latest news are coming regarding consumer demand and traffic going forward, etc. Thank you very much.

Arturo Gutierrez: Yes, thank you, Lucas. Well, first of all, talking about the tax and the learnings from 2014, we increased prices double-digits at the time plus inflation. I guess it was around 12%. We had a 3% volume decline, approximately - a little less than 3% in 2014, but the volume decline was sequentially better throughout the year. I mean, we started with a strong decline in volume first quarter by the end-of-the year, there were -- volumes were pretty flat that year, which means there's kind of a psychological impact as well in that elasticity.

Now I think to your point about how are we better prepared? I think we've developed our RGM capabilities in these last 12 years, quite a lot. We have a stronger leadership in the marketplace. And as you mentioned, we have a stronger partnership with The Coca-Cola Company to jointly navigate through this situation, which is not only about you know passing along the prices, but also what are we going to do in the market to sustain leadership and increase our presence. So one of the things that works in our favor is that the price -- the tax is designed as a MXN1 per liter. So that means for more premium-priced products, it's going to be a less percentage increase as compared to, let's say, value products out there, brands in the market.

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And then thinking about the fourth quarter, well, the environment will remain very challenging. Again, we are continuing to focus on things that we can control, which are basically three pillars, disciplined execution with very targeted campaigns. We have very well-designed campaigns to be implemented in this final part of the year. We're launching especially higher impact marketing campaigns for the Gen-Z consumers and also Coke and Christmas that kind of deepens the connection of our brands with consumers as well.

We continue to double down on affordability initiatives, as I mentioned before, with entry packages and with single-serve packages that also provide affordability. And we'll start also deploying all of our efficiency initiatives and playbook in this next quarter and throughout '26, which means reducing cost-to-serve as we have redesigned new service models. And a number of other projects like lightweighting, improvement in distribution logistics as well. We have an organizational restructuring that mostly addresses agility and clarifying roles, but also is going to bring more efficiency. So there are a number of things that will help us mitigate this adverse environment.

Lucas Ferreira, JP Morgan: Thank you very much.

Arturo Gutierrez: Thank you, Lucas.

Operator: Thank you. Our next question comes from Alvaro Garcia with BTG Pactual. Please go ahead.

Alvaro Garcia, BTG Pactual: Hey, Arturo, Emilio and Chuy. I hope you're doing well. I have a question on Texas. I was wondering if you can comment on some potential changes to SNAP benefits in Texas and how that might impact demand for your products? And just general commentary on sort of Hispanic consumer and just the consumer environment in general into next year ex-World Cup would be very helpful. Thank you.

Arturo Gutierrez: Thank you, Alvaro. Yeah, well, we are currently assessing the potential implications of those SNAP benefit changes in our portfolio. It's not -- we don't anticipate a significant impact, but it's something that certainly we're monitoring and looking at consumer trends and consumer demands and especially paying attention to the segment that this is going to impact the most, which is mostly the take-home segment.

So, at this point on the impact, we don't have a specific number to provide, but we continue to believe that it's important to give consumers the freedom to choose what groceries they want to purchase for the family with the SNAP benefits, but we are still assessing the implications.

What I can tell you about the US market dynamics is that we have seen a sentiment among low to mid-income and Hispanic consumers that has declined this year. You know, rising cost of living or interest rates probably, that's been softening spending. If you look at, for example, our value channel in the US that grew almost 4% year-over-year. It's gained some mix. And also that's related to some of the border tensions we've seen this year, fewer people crossing. And Hispanic traffic has declined more sharply in retailers, even in Walmart Hispanic outlets as compared to the non-Hispanic stores. So total retail traffic did fall in this third quarter. Convenience stores only, again, low and value saw traffic growth. So that tells you about how the dynamics are playing out.

So what we have adopted is, as I said before, this premium strategy -- this dual strategy of premiumization with brands like Topo Chico or Smartwater for some consumers, for the higher income consumers and the introduction of a packaging architecture that addresses the pressure in that middle and lower-income segments in the US market. And for sure, we're going to capitalize the FIFA World Cup events that are going to start actually this year. These major events include the tournament itself next year. We're going to be hosting 24 of the 104 matches in our four cities in Mexico and the US, we're the bottler with the highest number of matches in the tournament and 16 of those are going to be in our US market. So we will capitalize on all the activities surrounding the World Cup, and also the celebration of the 250th anniversary of the independence of the US we're going to be part of that as well next year.

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

Arturo Gutierrez: Thanks a lot.

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

Alejandro Fuchs, Itau: Thank you, operator. Hola Arturo, Emilio, Jesus, thank you for the time for questions. I wanted to shift gears and ask you one about South America, especially Argentina and Ecuador. I know it's a very uncertain scenario, right? But wanted to see what were your expectations going forward, maybe in next 12 months, we're seeing volumes coming down, but margins going up. So I want to see how you see the business on the ground talking to the teams and what would be kind of the expectations if we should continue to see volumes being pressured or maybe profitability normalizing a little bit? Thank you.

Arturo Gutierrez: Yes. Thank you, Alejandro. Let me start with Argentina. As you've seen, we've been facing a very challenging macro-environment in the third quarter, rising uncertainty and some of the indicators deteriorating. And that has impacted the lower-income segments of consumers and those provinces with high public employment. Unfortunately, we're in a market with high public employment. So we saw the steepest impact of this situation with consumption falling between 6% and 7% in general as compared to the central regions, which had a less significant impact.

So our year-to-date performance was still ahead of last year, but certainly, the trend is not very favorable. What we're doing is we're balancing our pricing discipline and affordability and our operational efficiency to stay competitive in this highly dynamic market. What's been important for that are, again, our pricing tools, our promotional tools to align prices with inflation. Our affordability and our playbook for things like Tapipesos promotions, tactical pricing on our non-returnable formats as well. Returnable is very important in Argentina. As you know, it's the highest mix of returnable in all of our markets. And to protect margins, we've been implementing very strict cost-control measures. We are also launching new products and continue to innovate in some of the stills categories.

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So we expect Q4 to outperform the third quarter as we expect some gradual improvement. But certainly, we're going to continue to focus on efficiency initiatives to protect margins. If we look at the context for margins in Argentina, we're going to see some upward pressure in some of the expenses related to payroll particularly, but we are going to have efficiency in other concepts that will offset these pressures. Raw materials, we expected them to rise driven by inflation, but we had the acquisition of a second sugar mill in Tucuman that is going to mitigate the impact of input costs for us and I think that's also going to be very important going forward.

If we look at Ecuador, and the dynamics in that market, also a difficult environment, mostly challenged by rising insecurity. The economy actually grew in the third quarter in Ecuador, but declining oil production and increased costs have resulted in some new policies like the elimination of the subsidy on diesel fuel and things like that. But retail remains active despite this complex environment in Ecuador. And I think it's important to see how our business and this is the same case for, I would say, all of our markets in this very difficult third quarter, have demonstrated very strong resilience, improving in the case of Ecuador, profitability in the third quarter and outperforming the industry's volume decline in the year. So here, affordability also is going to be important. The execution of our point-of-sale with new cold drink equipment. That's also very important in Ecuador and how we leverage our new service models to enhance customer experience and also to bring efficiency to our go-to-market strategy. So our stills categories is an opportunity and deployment of digital as well in Ecuador. So under this challenging environment, again, we're able to effectively protect profitability for '26 in Ecuador we are we are expecting OpEx to grow above inflation and this is mainly due to the increased depreciation in diesel costs that I mentioned. But some of the pressures will be partially offset by the optimizations that we have planned for our service models, our go-to-market models and some other adjustments.

So PET are expected to rise in '26 with ocean freight costs. Sugar is expected to be in-line with '25. So there's going to be some margin pressure considering all these factors -- basically, the removal of the subsidy, but our focus will be to protect our '25 margin in '26.

Alejandro Fuchs, Itau: Super clear, Arturo.

Arturo Gutierrez: Thank you, Alejandro.

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

Renata Cabral, Citibank: Hi, everyone. Thank you so much for taking my question. It's a follow-up about Mexico. I would like to ask you if you can give some color in terms of competitiveness and how the B brands have been reacting to the current sort of environment for volumes and if the company has been sustaining shares. And if you can provide some color on the performances in the channel strategy, the traditional channel versus the modern trade, if they are different in terms of one is better than the other in the current environment? Thank you so much.

Arturo Gutierrez: Thank you, Renata. Well, in terms of channels, the traditional channel received an important part of the impact in the decline in consumption this quarter, also convenience stores reduced

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traffic. The only channel that actually increased volume in the quarter was supermarkets. And as I mentioned, was mostly driven by intensified promotions and more competitive pricing. So, I think that's a, you know, natural consequence of the economic dynamics.

But most importantly is that we are strengthening our leadership in the marketplace even considering that we have a price gap versus our main competitor and versus B brands as well. We did have an impact on our share of market with the first half of the year as a result of the retaliation on our brand that you know about. But that really has been solved and now we're back to the position of leadership that we've had before.

Renata Cabral, Citibank: Very clear. Thank you so much.

Arturo Gutierrez: Thank you, Renata.

Operator: Thank you. Our next question comes from Henrique Morello with Morgan Stanley. Please go ahead.

Henrique Morello, Morgan Stanley: Hi, Arturo, Emilio. Hi, everyone. Thank you so much for taking my question. So I would just like just to explore the margin performance in Mexico. As you saw another quarter of comp pressure on a year-on-year basis and at higher levels if compared to last quarter, right? So if you could dive deeper on the dynamics behind the margin decline this quarter, perhaps beyond the volume decline? And if anything changed from last quarter and how do you expect the margin to behave in Mexico going forward when you look at your hedge positions right now? Thank you very much.

Arturo Gutierrez: Thank you, Henrique. I will turn that over to Emilio to respond to questions. Go ahead Emilio, please.

Emilio Marcos: Yes. Thank you, Henrique, for your question. Yes, well, in Mexico basically there is several factors that affected the EBITDA margin, being the one, a decline in volume as we have explained already. But there are also some changes that Arturo already mentioned. One is the mix of channels, the traditional trade was more affected by the rainfalls during the quarter compared to supermarket. So our channel mix change and also presentations, the mix of single-serve also declined in the quarter. So that was basically the main impacts for the margin EBITDA margin in Mexico

For the rest of the year, we've been working on expense control. You also can see that throughout the year, we've been improving our OpEx to sales ratio every quarter. So internally, everything that we control, we are looking in every efficiency that we can implement in all the operations. So in Mexico, we've been able to mitigate part of the volume decline impact - talking about the margins. So for the full year, we're expecting to have maintained -- at least maintain the current levels of EBITDA margins for the region.

Henrique Morello, Morgan Stanley: That’s very helpful. Thank you.

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Operator: Thank you. Our next question comes from Axel Giesecke with Actinver. Please go ahead. Your line is open.

Axel Giesecke, Actinver: Hello, thank you very much for taking my question. Just a quick one. And given your healthy balance sheet position, are you considering further M&A opportunities? And if so, which regions are you looking forward into? Thank you very much.

Emilio Marcos: Thank you for the question. Yes, well, as you know, there is a -- talking about capital allocation -- that's one of our main priorities. Well, as we have mentioned, number one is invest in our operations and then we just announced an additional dividend. But yes, M&A, as you know, we continue to evaluate basically opportunities in US and Latin America. So, we have a very strong balanced position in order to close any opportunities.

But in the meantime, we've been able to find other avenues for inorganic growth that are aligned with our core business such as the recent acquisition that we announced of Imperial, the vending and micro-market business in US. But we keep exploring opportunities basically within the Americas.

Axel Giesecke, Actinver: Perfect. Very clear. Thank you.

Arturo Gutierrez: Thanks, Axel.

Operator: Thank you. Our next question comes from Fernando Olvera with Bank of America. Please go ahead.

Fernando Olvera, Bank of America: Hi, good morning all and thanks for taking my question. I just have one and it's related to Mexico. Arturo, Emilio, how are you thinking about CAPEX next year and the potential tax increase? Any insight on this would be helpful? Thank you.

Arturo Gutierrez: Thank you, Fernando, for your question. Yes, regarding CAPEX, well, as I mentioned, as of September, we reached MXN11.8 billion, representing 6.4% of sales. We're expecting to invest around 7%. That's what we mentioned at the beginning of the year. The 76% of those CAPEX are in Mexico and US. But at the beginning of the year, when we saw a slowdown in volume, we have postponed some initiatives this year. So our CAPEX ratio will be around the same level that we have right now, 6.4% instead of 7%. So we just adjusted some of the CAPEX that we were expecting for this year without compromising our long-term growth strategy. So we remain committed to the strategic investment that we have for our capabilities and expanding our capacity and distribution. But I would say in a slower pace, than we expected at the beginning of the year.

Fernando Olvera, Bank of America: Okay, Emilio. I'm thinking -- I mean considering that the increase of the excise tax was just announced, I mean, how do you expect CAPEX to behave in Mexico next year? I mean, is it possible that you will keep postponing some projects for 2027 or...?

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Emilio Marcos: There are some projects that we started and we need to continue in order to be ready for the volume in the next, let's say, two or three years. So there's some of the CAPEX that needed to keep going to be ready in two, three years. But there is the short-term ones are the ones that we are just postponing and see how the volume behavior and then we'll decide if we continue with those next year or if we go and move it to 2027. So we expect around 5% to 6% maybe in Mexico CAPEX-to-sales.

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

Emilio Marcos: Thank you.

Arturo Gutierrez: Thank you, Fernando.

Operator: Thank you. This concludes today's Q&A portion. I will turn the call back to Arturo Gutierrez for closing remarks.

Arturo Gutierrez: Thank you. We really appreciate your time today and especially your ongoing commitment to our company. So please reach out to our Investor Relations team for any follow-up questions you might have. Look forward to speaking with you again next quarter. Have a great day.

Operator: Thank you. This does conclude today's program. Thank you for your participation. You may now disconnect.

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