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Arca Continental

First Quarter 2026 Earnings Call Transcript

April 23, 2026 @ 9:00am CT

Operator: Good day, everyone, and welcome to the Arca Continental first quarter 2026 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 first quarter of 2026. 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, the Chief Planning and Strategic Capabilities Officer, Mr. Jesus Garcia, and the Chief Operating Officer, Mr. Jean Claude Tissot. They're going to be making some forward-looking statements, and we just ask that you refer to the disclaimer and the conditions surrounding those statements in the earnings release for guidance.

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

Arturo Gutierrez: Thank you, Melanie. Good morning and thank you for joining us to discuss our first quarter results.

We are encouraged by our start to the year, with sequential improvements in operating performance, better volumes, and value share gains across most of our markets.

As we move through 2026, we are navigating a complex environment shaped by geopolitical tensions, input cost volatility, and persistent inflation.

Against this backdrop, we remain focused on managing the business with a prudent, long-term approach, staying aligned to our playbook, and prioritizing the fundamentals within our control.

With that, let's turn to our consolidated results.



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Total consolidated volume in the quarter increased 2.9%, driven primarily by stronger performance in the United States, Peru, and Ecuador.

Our still beverage category grew 3.5%, cycling a 2.4% increase in the same period last year and underscoring the strength of our portfolio as we capture evolving consumption trends.

Total consolidated revenue and EBITDA remained stable year-over-year, resulting in a margin of 18.6%.

Overall, these results reflect consistent execution and solid operational discipline across the business, supported by effective revenue management and active hedging, while maintaining a clear focus on protecting profitability.

Let me expand on the results across our geographies.

Our beverage operations in Mexico delivered a better-than-expected performance during the quarter.

Unit case volume, excluding jug water, increased 1.6%, driven by stills and water categories, which grew 3% and 11%, respectively.

Within stills, growth remained strong across tea, up 15.7%, energy drinks, up 26.3% and dairy, up 16.2%.

Coca-Cola Zero delivered another strong quarter, growing 28.5%, supported by expanded coverage, innovation, and targeted pricing.

We began executing our plan to mitigate the impact of the excise tax on volumes, with affordability as a key priority. This included reinforcing our price-pack architecture and expanding the mix of returnable packages.

Performance was solid across channels, with both traditional and modern trade delivering sequential growth. Targeted promotions supported increased adoption of key formats, including the 500ml returnable glass and 1.5-liter returnable PET.

Net sales increased 7.4%, with average price per case, excluding jug water, up 5.8%.

EBITDA grew 7.1%, with a stable margin remaining at 20.8%, reflecting disciplined execution and cost efficiencies that helped offset input cost volatility.

Finally, adoption of our B2B platform, Tuali, continued to expand, with active usage reaching 64.7% of our customer base.



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Moving now to South America, total volume increased 3.7%, driven by strong results in Peru and Ecuador, partially offset by a softer performance in Argentina.

Revenues declined 7.2%, primarily reflecting unfavorable FX translation. Along the same lines, EBITDA decreased 11.4%, with a margin of 19%, as currency headwinds continue to weigh on results.

The region is progressing through a gradual and uneven recovery. Our focus on execution, affordability, and revenue management remains critical as conditions evolve.

Peru delivered an exceptional quarter with volume growth of 8.2%. This is the strongest first quarter performance since entering this market in 2015.

Growth was broad-based, led by colas, up 9%, and stills, up 8.4%. Coca-Cola and Inca Kola grew 9.3% and 3.7%, respectively.

In stills, outstanding results were driven by energy drinks, with additional contributions from sports drinks and juices.

Momentum remained strong across channels, led by modern trade, up 29.9%, alongside a favorable performance in traditional trade. This reflects the effectiveness of our price-pack architecture, and targeted market investments.

During the quarter, we doubled down on our efforts to increase our share of visible inventory. We installed nearly 11 thousand cold-drink units, reaching our highest traditional trade coverage.

Additionally, we entered an exclusive distribution agreement with Heineken this quarter, expanding our presence in Lima's traditional channel and reinforcing customer relevance.

In Ecuador, our beverage business delivered solid performance, with volumes growing 5.3%, reflecting steady progress in this market.

Growth was driven by strong results in both sparkling and stills categories, up 4.5% and 7%, respectively.

Coca-Cola Zero continued to outperform, growing 20.4%, driven by targeted pricing and expanded availability.

This performance was reinforced by positive momentum in modern and traditional trade channels, as we focused on driving immediate consumption and promoting returnable packages.



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During the quarter we launched Schweppes, our new sparkling water brand in Ecuador, aimed at capturing share in the high-value segment of the category. In the first month, we achieved over 40% coverage in the traditional channel and established a strong presence among modern trade customers.

In our value-added dairy business, Tonicorp delivered low-single digit sales growth, and margin expansion in the first quarter. We gained share in core categories, including yogurt, flavored milk, and ice cream, supported by our strong brand equity and on-going innovation.

In Argentina, volume declined 8.5%, cycling a strong growth of 19.8% in the same prior-year period. While early signs of stabilization are beginning to emerge, these have yet to translate into a recovery in consumer behavior.

Against this backdrop, our commercial initiatives remain a key lever to navigate this environment. We achieved value share gains across NARTD categories, supported by affordability initiatives and continued focus on returnable packages.

The energy category delivered solid momentum, with Monster growing 14% in the quarter, reflecting sustained sequential growth.

We are also seeing gradual mix improvement, with single-serve formats gaining relevance, driven in part by the rollout of the 220ml mini can.

Finally, our digital agenda continues to advance, with digital sales reaching 79.1% of total volume. This is the highest mix across our Latin American operations.

Let's now turn to our beverage operation in the United States.

As we mark our 9th anniversary in this territory, our business delivered another quarter of solid top and bottom-line growth, along with record profitability.

Net revenues for the quarter rose 8.3%, reflecting a 3.5% increase in average price per case, driven by improved promotional efficiency, and continued deployment of our Trade Promotion Optimization tool.

Volume grew 4.7%, with transactions up 6.0%. These positive results were widespread across categories, with sparkling increasing by 3.5%, led by an outstanding growth of 11.2% in our low-calorie portfolio. Flavors grew 2.1%, supported by Fanta, Sprite Zero and Fresca.

Stills volume grew 4.5%, with solid performances across our energy and sport drinks categories, including Monster at 15.7% and BodyArmor LYTE at 19.3%.



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Our market leadership position remained strong as we increased value share in NARTD beverages across both Sparkling and Stills categories.

During the quarter, we introduced over 95 new SKUs, including Coca-Cola Cherry Float, Diet Coke Cherry, and FLRT by Monster.

EBITDA grew 9.9%, reaching a margin of 16.4%, marking the most profitable first quarter since acquiring the U.S. operation. This is the second consecutive year achieving this milestone, highlighting the structural improvements we have embedded in the business over time.

During the quarter, we further advanced the rollout of our upgraded Suggested Order application, incorporating enhanced value-capture capabilities to drive incremental growth and strengthen execution across channels.

To close our operations review, our Food and Snacks businesses delivered a resilient start to the year, while remaining focused on disciplined execution and profitability.

Net sales declined in the low single digits in the quarter, cycling double-digit growth in the same period of 2025.

At the operating level, Bokados in Mexico and Inalecsa in Ecuador delivered EBITDA margin expansion, supported by optimized price management, continued portfolio optimization, and sustained progress on productivity initiatives.

In the area of sustainability, our business model continues to be recognized as a benchmark within our industry, reflected in our inclusion in the Dow Jones Sustainability Best-in-Class World Index and, for the fourth consecutive year, in the S&P Global Sustainability Yearbook.

In closing, I'd like to highlight the recent release of our Annual Corporate Integrated Responsibility Report, which outlines our progress against key commitments and reinforces our focus on environmental stewardship and generating a positive social impact.

With that, I'll turn it over to Emilio, who will walk us through our financial results for the quarter.

Please, Emilio.

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



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While the global environment continues to present challenges and volatility, our teams remain focused on execution. By applying our well-established revenue growth management capabilities together with cost and operational discipline, we delivered high-single-digit currency-neutral growth in both revenues and EBITDA, while maintaining EBITDA margin broadly in line with last year. Importantly, this performance demonstrates the resilience of our operating model and the strength of our portfolio and pricing architecture to consistently deliver results even under certain micro conditions.

Let me offer further insight into our financial results. Consolidated revenues increased slightly by 0.2% to reach MXN57.1 billion, mainly explained by our exposure to the US dollar. On a currency-neutral basis, revenue grew 8.8% during the quarter. As of March, gross profit increased 1.4%, reaching MXN26.8 billion, while the gross margin reached 46.9%, an expansion of 60 basis points compared to the first quarter of 2025.

On a currency-neutral basis, gross profit grew 17.8%, reflecting solid performance across our operations. The consolidated EBITDA reached MXN10.6 billion, slightly below the prior year by 0.2%. On a currency-neutral basis, EBITDA grew 7.4%, the EBITDA margin was 18.6%, remaining fairly in line year-on-year, reflecting our continued cost discipline and ability to protect profitability.

Net income decreased 8.5% to MXN3.8 billion with a margin of 6.6%, reflecting a 70 basis points contraction. This was mainly driven by the comprehensive financing result.

Now, turning to the balance sheet. As of March, cash and equivalents totaled MXN36 billion, while total debt stood at MXN65 billion, resulting in a net debt-to-EBITDA ratio of 0.6 times. Our strong balance sheet and consistent cash flow generation remain key pillars, providing the resilience to navigate a volatile environment while continuing to invest in the business and return capital to shareholders. A dividend of MXN4.28 per share was distributed on April 8, 2026, representing a 37% payout ratio of retained earnings and a dividend yield of 2.1%.

Looking ahead, we will double down on our operational efficiencies, while maintaining a strong commitment to execution, cost control and financial discipline in order to face an uncertain macro environment.

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

Arturo Gutierrez: Thank you, Emilio.

Against this backdrop, our business remains resilient, supported by strong fundamentals and disciplined execution.

We start the year with a cautiously positive outlook, confident in the underlying strength of our business.



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Our financial strength and market leadership position us to navigate uncertainty while continuing to invest with discipline.

Arca Continental is built for times like these. History has shown that sustained investment through challenging cycles prepares us to emerge stronger.

In summary, our priorities remain clear: strengthen market execution, maintain operational discipline, enhance commercial and digital capabilities, and protect profitability.

Before we open the line for questions, I would like to take a moment to acknowledge that this is Ulises' final earnings call before his retirement at the end of May, after more than 21 years with Arca Continental.

Throughout these two decades, Ulises has played a key role in strengthening our financial discipline, enhancing transparency, and building long-standing relationships with the investment community.

We are deeply grateful for his leadership, professionalism, and commitment to the company.

Ulises, on behalf of the entire organization and our Board, thank you for your dedication, and we wish you all the best in your next chapter.

That concludes my remarks. Thank you all for your continued trust and support. Operator, please open the line for questions.

Operator: Thank you. If you would like to ask a question, please press star one on your touchtone phone now. We will pause for just a moment to allow everyone the opportunity to signal for questions to queue.

We will take our first question from Ulises Argote with Santander. Please go ahead, your line is open.

Ulises Argote, Santander: Thank you very much. Hi, everyone. Maybe just quickly echoing Arturo there. I wanted to wish farewell and all the best to my tocayo. Definitely, one of the most passionate and top-notch professionals I have come across. So, all the best in what's to come for you.

Here in the -- specifically on the question that we had, we wanted to get your thoughts, Arturo, maybe on the dynamics in Mexico. Is there anything you're noticing there related to the consumer dynamics, maybe moving more towards zero or low-sugar categories?

And overall how you're seeing both consumer and competition reacting with the increase in special taxes that we saw at the start of the year? Thank you.

Arturo Gutierrez: Thank you, Ulises, and good morning. Well, we started this year in Mexico, as we expected, in a more demanding environment. We expected moderate economic growth and this tax-related



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price pressure on elasticity, and also a consumer that's increasingly focused on affordability. So, considering this context, we delivered what we believe was a very solid first quarter. I think this is a combination of deploying our traditional playbook and also incorporating our new capabilities in digital, our very solid price-pack strategy. And I also would mention our recent investments in infrastructure, which have supported our supply chain and our service to customers. We did have some tailwinds in Mexico this first quarter as we expected.

So, all-in-all, we are very encouraged by our first quarter results, we're very confident on our fundamentals and we know that cost pressure will build throughout the year. So, we'll continue also focusing on disciplined profitability. In that context, the Coke Zero and the low-sugar categories have been very relevant. I'll turn it over to Jean Claude to comment particularly on those categories.

Jean Claude Tissot: Thank you, Ulises, for the question. And as you were mentioning, Arturo, we knew that we were going to face challenges during the first quarter; challenges because of the taxes and because of the dynamics in Mexico. Having said that, what we put together as a strategy for Mexico was going back to basics, strengthening our fundamentals, while we embrace the future through our digital transformation, with a focus on returnables, execution, cooler placements and all the digital initiatives, and a good implementation in terms of our RGM strategy.

As part of our RGM strategy plays a critical role, returnables, but also Coke Zero. And Coke Zero, if I can share a number, we had a very good growth of 28% in Coke Zero. And it's not just a consumer trend, but also our operational discipline to make sure that, that was going to be implemented.

Arturo Gutierrez: And you will see more of Coke Zero as we capitalize on the opportunity of the World Cup also throughout the year.

Ulises Argote, Santander: Perfect. That's very clear. Thanks, Arturo. Thanks, Jean Claude.

Arturo Gutierrez: Thank you, Ulises.

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

Felipe Ucros, Scotiabank: Thanks, operator. Good morning, Arturo, Emilio, team. Ulises, congrats, all the best, and thanks for all these years of fielding our questions.

So, thanks, guys, for the space. I have one mainly on Mexico. You saw volume increase despite the excise tax, and I think it was better than what the market expected and better than what you expected as well. So, just wondering if you can talk about the forces that drove the quarterly volume. Perhaps, whether there was anything else other than the price and elasticity in there. Maybe there was a weather force, or maybe it's just elasticity that's lower than what you expected.



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And also, related to that weather question, water performed very, very strongly. So, I imagine this may have played a part. And perhaps most importantly within this question, if you can comment about how the digital tools made this reaction to the tax different from what you experienced in 2014? Thank you.

Arturo Gutierrez: Thank you, Felipe. Well, yeah, to your final point, we do believe we have stronger capabilities now as compared to those years. And -- but all-in-all, as I said, we're satisfied with our performance in the quarter. Based on the data that we observed this quarter and current consumer trends, we think performance is tracking pretty much in line, maybe slightly better than initially anticipated. I mean, this is still early in the year, and we want to be prudent in our assessment.

We have to take into account that we did have more favorable year-over-year comps relative to '25. And also, in terms of weather, maybe temperatures were slightly higher versus previous year in a quarter that certainly can make a difference. But again, all-in-all, we think we have a strong quarter. We remained cautiously positive going forward. And we do think that some of the capabilities that we invested in have also been a part of this. And elasticity effects are real. We do expect that throughout the year, but we also expect to benefit from some of the tailwinds that we have mentioned before, and that can help mitigate that impact.

And with respect to water and our digital capabilities, I'll have Jean Claude give you some additional color.

Jean Claude Tissot: Yeah. Thank you, Arturo, and thank you, Felipe, for the questions. We knew that we were going to have some challenges with the taxes. Also that we have to take into consideration, there are some elements that they play in our favor, like that we didn't have the retaliation that we had previous year, and that helped. And also, we had a better weather, but I would like to reinforce what the operation did.

We had the best fast start ever with everything ready from day one. I'm saying, the 2nd of January, with a focus on back to basics, the focus on returnables. If you see, the mix of returnables in the traditional channel grew. And what we are saying that we are embracing the future through our digital initiatives. Something that is important to reinforce is that our digital execution in Mexico, now it covers 68.7% of our volume and is also using the other tools that we have in our digital initiatives, such as the RGM tools, like pricing co-pilots, that they were a critical element to define our RGM strategy and initiative for this first quarter.

Felipe Ucros, Scotiabank: Great. Thanks so much, guys. I'll keep it to one question and get back on the queue since we want to keep it down to one. Thank you.

Arturo Gutierrez: Thank you, Felipe.

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: Great. Good morning, everyone, and thanks for taking my questions, and congratulations, Ulises, and good luck in the next chapter.



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My question is related to the US. Maybe if you can explain the solid pricing seen this quarter, and what do you expect for the remainder of the year? Thank you.

Arturo Gutiérrez: Thank you, Fernando. So, well, yeah, we're very satisfied with our strong start in 2026 in the US, both in volume and transaction growth, and it was actually the most profitable first quarter in that operation since we acquired that operation nine years ago. So, this performance was driven really by a combination of good execution at the point of sale, stronger availability of key SKUs. And as you mentioned, a very effective revenue management.

As I have been saying, if we need to get one capability right in the marketplace, I would say in every market, it's our revenue management capabilities, not only in terms of pricing, but also in terms of promotion optimization, that has become a very important part of our focus this year and -- actually, previous year. So, we're actually capitalizing on that. So, we did have a true rate increase of 5% in the US, that is a combination of both price strategy and optimizing promotional activity. We had a mix effect that was negative, but still we achieved a very good price increase in the first quarter.

The promotional activity has driven an improvement in ROI, and that translates into incremental profits and profitability for the operation. Digital tools in that regard have been very important. And again, this is reaping the benefits of what we've been doing here in our Digital Nest and the US operation, in our pricing co-pilot that we learned about. So, I think that is going to continue to be our strategy, increasing prices, trying to be in line with inflation or above inflation in every business unit. And that's critical this year, where, as you know, we're going to face additional cost pressures considering the geopolitical situation.

Fernando Olvera, Bank of America: Great. Thank you, Arturo.

Arturo Gutiérrez: And maybe Jean Claude, you want to add something to that comment?

Jean Claude Tissot: Fernando, thank you for the question. Yes, I would like to add, Arturo, if I may. We are celebrating the 17th of April, our ninth year since we started our operation in the US, and to reinforce the momentum that, that operation has -- and, obviously, I am biased to talk about the US operation, but it has been a continuity of what the team has done.

For this quarter, we have to take into consideration as well that we have some comparisons that play in our favor that we didn't have -- we had last year, as you remember, the retaliation. But what is important, we knew that we were going to face a challenge as well as taxes in Mexico with SNAP in the US, and we did the same, back to basics, strengthening our fundamentals while we embrace the future through our digital tools.

Back to basics in the US, as it's a different market, is more about modern channel and is the focus on execution, SOVI fill rate. Something that is important to share, Walmart gave us the recognition as the best bottler in terms of fill rate, which is the key indicator for Walmart, and Walmart as our biggest customer. Then that demonstrates not just the focus on execution, but to achieve that level of fill rate is how we are



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implementing our digital tools, such as the TPO pricing co-pilot, but also our digital tools, how we execute the MRT tools. Thank you.

Fernando Olvera, Bank of America: Thank you, Jean Claude.

Arturo Gutierrez: Thank you, Fernando.

Operator: Thank you. We will move next question with Thiago Bortolucci with Goldman Sachs. Please go ahead. Your line is open.

Thiago Bortolucci, Goldman Sachs: Yes, hi, good morning, everyone. Thanks for taking our question. We'll also like to start extending our congrats to Ulises. I'm pretty sure everyone in this audience will miss the interactions. Very, very, very nice tenure.

Back to the quarter and I'll also limit myself to one question. Emilio, if we move back one quarter ago, you shared your guidance for the year, where you expect to grow sales on FX-neutral basis at mid-single-digit. In this first quarter, you delivered a high-single-digit FX-neutral growth in the top-line, arguably with even easier comps going forward, right? The second quarter last year in Mexico was very pressured. You have the tailwinds from the World Cup and so forth, so on. So, what prevents you from raising the guidance for top-line growth at the moment and what are the main risks for the remainder of the year? That's the question. Thank you very much.

Emilio Marcos: Thank you, Thiago. Thank you for the question. Well, as Arturo and Jean Claude have mentioned, we believe that it's too early to change the guidance. We said mid-single-digit on sales. We're on 8%. So, we want to wait for maybe next quarter and give you another new outlook. We've been protecting margins. So, I think we're very on line with what we're expecting. We are 10 basis points below last year. So, we're on track to meet our goals, I think.

Arturo Gutierrez: Yeah, Thiago, this is a year where we know we're going to face some pressures and some headwinds. As I said, there are some reasons to be optimistic about, but it's still one quarter. So, we want to maintain ourselves cautiously positive, as I mentioned in my remarks.

Thiago Bortolucci, Goldman Sachs: That's fair. Thank you very much.

Arturo Gutierrez: Thank you, Thiago.

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

Renata Cabral, Citigroup: Hi, everyone. Thank you so much for taking my question. And Ulises, it's been a real pleasure interacting with you. Congratulations.

So, my question is a follow-up regarding logistics. So, it was mentioned in the call that it was one of the levers, positives for the quarter, and I understood, especially in the US. So, I wonder if you could give some



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color on the specifics that you are seeing the benefits of it on the results and what we should expect for the rest of the year and even for 2027 on this side? Thank you.

Arturo Gutierrez: Thank you, Renata. Yeah, this is not only the US, I would actually highlight Mexico in terms of improved logistics. We have been investing in tools to improve our demand forecasting in every market, but I think it now starts to bear fruit in Mexico. Just to mention, we had our best score in terms of forecasting our demand and also our best fill rate ever in the Mexican operation in the first quarter. So, it's not only the tools that we have, but also the investments we've made in infrastructure that we've mentioned before, our CapEx and production lines in warehouses, capacity in our warehouses. So, that has been critical.

And I think that's going to be even more important in the high season with the seasonality of our business. When we made those investments, we were actually planning for the summer. We didn't have a great summer last year due to several factors, including weather conditions. So, we expect that to be better this year and to continue to capitalize on those capabilities. And Chuy, you want to add to that?

Jesus Garcia: Yeah, I'd like to add a couple of things in that regard. We are deploying some artificial intelligence tools, specifically into the rebalancing of our inventories, and that is enabling us to improve our fill rate. And at the same time, as you know and we have shared with all of you, most of the effort on digital tools was placed on the commercial side. There are a lot of learnings that we're taking from that side and now turning it into our supply chain management, specifically the warehouse. And so, today, we have tools for the people responsible to manage those warehouses and make sure we're making the right decisions as far as how we build the routes, how we balance inventories and how we improve the performance of such warehouses.

Renata Cabral, Citigroup: Very good color. Thank you so much.

Arturo Gutierrez: Thank you, Renata.

Operator: Thank you. We'll move next with Antonio Hernandez with Actinver. Please go ahead.

Antonio Hernandez, Actinver: Hi. Good morning. Congrats on those very solid results. Just a quick one regarding marketing expenses. You mentioned that those expenses were higher. What are your expectations going ahead and how much of this is driven by the World Cup? Thanks.

Arturo Gutierrez: Yeah. I'll turn that over to Emilio.

Emilio Marcos: Yeah. Thank you, Antonio, for the question. Yes, you can see on the OpEx an increase during the quarter, and basically the increase is explained by two things. One is a higher maintenance. We want to be ready for the summer. And the second one is DME. We have a lot of commercial executions for the World Cup that has increased the OpEx during the quarter. But we remain committed, and the ratio of OpEx to sales is basically in line for the full year on the levels of less than 32% as we have historical in the past years of less than 32%.



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Antonio Hernandez, Actinver: Okay. Perfect. Thanks for the color. Have a nice day.

Emilio Marcos: Thank you, Antonio.

Operator: Thank you. We will move next with from Ben Theurer with Barclays. Please go ahead.

Ryan Lavin, Barclays: Hey, this is Ryan on for Ben today. Thanks for taking our question. We wanted to ask about South America. So, a little bit of up and down there. You had some good results in some parts of the region, some weaker results in Argentina. So, looking ahead to what you've seen in April and what you're seeing in the rest of the year, what are you guys expecting, especially as you factor in FX? Thanks.

Arturo Gutierrez: Thank you, Brian. Well, yeah, we had different dynamics in the three markets in South America. In Peru, we had a historic first quarter, growth in every single month in the quarter and across channels, as I've said before. This market has huge potential. The opportunity to grow per capita is tremendous in Peru. And just as I mentioned many times, it's the same population that we serve in Mexico and we have a less than a third of the volume that we sell in Mexico.

In Ecuador, we are seeing a clear recovery in volume and improved momentum, but the environment is still very challenging from the consumer point of view. So, although we grew, we had a balanced performance across categories and we had a noticeable improvement in execution, but this is based mostly in deployment of, what we call, the savings portfolio strategy. It's a strong focus on affordability, which is what we're going to continue to do the rest of the year. Opportunities in stills there are very clear.

Argentina is the most challenging macro environment. The context is affecting our regions even more than the entire country given the profile of our consumer base in some of the rural areas and we're also cycling strong growth from last year. And so, those year-over-year comparisons added further pressure to our results this quarter. And so, what are we doing in Argentina? We're focusing on returnables as we've done before, improving our productivity, route productivity, focusing on single-serve expansion. And although we're seeing some early signs of stabilization, this really has not yet translated into a recovery in consumer demand in Argentina. So, we have to continue to focus on affordability, on execution. Digital is very strong in Argentina. And this is one of the countries where we're going to leverage this opportunity of the FIFA World Cup, and that will progressively support volume recovery, we believe.

Ryan Lavin, Barclays: That's helpful. I'll pass it along then. Thank you.

Arturo Gutierrez: Thank you, Ryan.

Operator: Thank you. Our next question comes from Lucas Ferreira with JP Morgan. Please go ahead.

Lucas Ferreira, JP Morgan: Hi, guys. Hope you hear me well. First of all, congrats to Ulises for his career. I hope to keep in touch.



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And my question is regarding also Mexico, the amazing performance you guys delivered. Congrats on this. My question is, it's two-fold. One is, if there were any sort of an anticipation of acquisitions or some sort of a channel stuffing in the fourth quarter, given the anticipation of the price hikes for late December or early January, so that could have been maybe even better performance in the first quarter, if -- I would assume that part of the retailers could have anticipated a bit their acquisitions. And then, a bit on the market share, if you guys can comment how the competition behaved in this first quarter, if in line with your expectations? And if you have any sort of early readings into market share that you can share with us. Thank you very much.

Jean Claude Tissot: Thank you, Lucas, for the question. Then, we already said what has been the strategy in place, what were some of the elements that they were playing in our favor. Regarding the specific question about share, something to share with you is that, in Mexico, thanks to that operational discipline, back to the basics, embracing our digital tools, we have been gaining share in the first quarter. We have been gaining share in sparkling. We have been gaining share in the stills category as well.

Lucas Ferreira, JP Morgan: Thank you very much.

Arturo Gutierrez: Thank you, Lucas.

Operator: Thank you. We will move next with Rodrigo Alcantara with UBS. Please go ahead.

Rodrigo Alcantara, UBS: Ulises, I'll join everyone. Congrats. It was a pleasure interacting with you. Good morning, Arturo and Emilio.

Yes, I mean, first of all, congratulations on the results. I mean, undeniable, an outstanding quarter. No comment there. Just, Arturo, I want to picture your thoughts. I mean, totally agree with you on the potential about Peru, right? As you said, you serve there the same population as you served in Mexico. So, we can therefore conclude this, it's a function there of increasing the per caps, right, per capital consumption there. So, my question here is, what drivers should we think, right, that could let you precisely increase these sales per point of sale?

We have spoken in the past about increasing the penetration of coolers there in the country. You recently also announced this very interesting partnership with Heineken, right? So, just curious to get your brains here on the potential of Peru, right? At the end of the day, if I'm not mistaken, your third most important country, right, in terms of volumes. That would be very, very interesting to hear from you.

And very quickly the US, right? Any learnings whatsoever on how you are using the asset that you acquired there in the US? This is a small bottler in the US. What have been the learnings or the benefits that you have got from that minor acquisition? That would be my two questions. Thank you.

Arturo Gutierrez: Yes. Thank you, Rodrigo. First about Peru, yes, definitely, we agree. It has a huge potential. And I think it's the most promising market in terms of growth in the next few years. This is the comparison that I make all the time with -- probably they hate that, but with the team in Peru about the size of the



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market. We serve exactly the same population that we serve in Mexico, and it's such a similar country to Mexico that I do -- it's not going to be overnight, but certainly, we're going to get there eventually. I think it has a very particular strength, very unique in Peru, which is this dual Coca-Cola and Inca Kola strategy. That has proven to be a very important part of our recent good performance.

As you mentioned also, just the deployment of the traditional playbook of our company in that market. Cold drink equipment - we expanded cold drink equipment to 50% coverage, and that's been a sustaining growth, but it's still a long way to go. I mean, Mexico, for example, is way above that. So, that's a tremendous opportunity. The stills categories in Peru are also a huge opportunity. And even those other categories like beer, this is also the most promising marketing for that multi-category strategy that we have.

And in terms of digital, we reached 310,000 customers registered in our digital B2B platform. This is almost 70% of traditional channel volume in Peru, and that enhances order accuracy, route productivity, data-driven execution. So, we're really excited about this market.

In terms of the Idabel acquisition, I'll ask Jean Claude to give you some details about that. But I think it does show that our playbook is very effective when we incorporate additional territories to the US operation, just in the fundamentals of the business. Jean Claude?

Jean Claude Tissot: Yes. Thank you, Rodrigo, for the question. If I may, Arturo, I would like to go back to Peru, just one small thing, about the same strategy, about back to the basics, but I would like to reinforce that simple strategy works and how to leverage that dual strategy, how we have been growing in key elements with Inca Kola and Coca-Cola working together both brands in terms of execution and also consumer connection, growing SOVI, growing availability, growing share and volume with both brands at the same time. And that is something that we need to be consistent in the future. It's working right now, and it has to work in the mid and long term.

Going to the US, as we were saying, the result that we saw back to the basics about using our tools and that discipline that we have in our execution, back to the basics, is working with the Idabel integration. The best example is fill rate. Fill rate that is so critical in the US, it has been one of our key elements that has been growing the most in that operation.

Maybe I would like to reinforce also... Sorry, I just wanted to add something that is super important for us, as you know, is the integration of this operation, bringing the great culture that we have at Arca Continental, the great culture that we have in Arca Continental in the US has been a key element in this integration. That is a critical part for us, as you know.

Arturo Gutierrez: Thank you, Rodrigo.

Rodrigo Alcantara, UBS: Great. Thank you, Jean Claude. Thank you, Arturo.

Operator: Thank you. Our next question comes from Emiliano Hernandez with GBM. Please go ahead.



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Emiliano Hernandez, GBM: Thank you. Good morning, Arturo and Emilio. All the best to you, Ulises.

Quick follow-up in South America. Could you elaborate on the potential impact of El Niño on consumption patterns and the execution in Peru and Ecuador particularly? Thank you.

Arturo Gutierrez: Yes. Thank you, Emiliano. Yeah, certainly, that's an effect that it's hard to predict and quantify. We consider that one of the potential headwinds for the rest of the year. And -- but truly, we're really focusing on the things that we can control. We try to avoid conversations about weather in the operations. So, I think that's something that eventually evens out if you look at longer periods of time. So, what we're thinking now is about capitalizing on the opportunities in the rest of the year. We mentioned the World Cup, but also just deploying the capabilities that we've built. We still believe there's an opportunity that's part of the positives that we keep in mind for the rest of the year.

Emiliano Hernandez, GBM: Great. Thank you

Arturo Gutierrez: Thank you, Emiliano.

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

Henrique Morello, Morgan Stanley: Hi, Arturo, Emilio. Thank you for taking my question. I will just make a quick one on the cost side. Arturo, you mentioned that cost pressure will likely build up throughout the year. I think that's pretty clear. But on that side, if you could just provide a little update on your hedging positions and your positions in general in your raw materials, but perhaps more on the packaging side, so aluminum, PET since those were the most volatile commodities we saw in the recent times. So, if you could just remind us how were your hedges before the recent spike, if you were building more positions in the past few weeks and months? And basically, when should we expect to see those cost pressures from PET, from aluminum hitting your cost in your P&L? That's my question. Thank you very much.

Arturo Gutierrez: Thank you, Henrique. I'll have Chuy comment on that, main raw materials, PET, aluminum and also sweeteners, sugar and fructose, which are so relevant for our cost structure.

Jesus Garcia: Thank you, Arturo, and thank you, Henrique, for your question. I mean, obviously, recent geopolitical developments are creating some short-term volatility across global commodity and energy markets. For us, the main areas of potential impact are aluminum, diesel and PET, all of which are highly sensitive, obviously, to oil prices and global supply dynamics.

Now, having said that, we believe we are well protected through our hedging strategy. Close to 97% of our aluminum needs LME are hedged and around 50% of the Midwest for 2026, and over 90% of diesel for 2026 and 2027.



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In terms of raw materials, I will tell you, the first quarter was overall favorable with the exception of aluminum, which, as you saw, remained under pressure. Looking ahead, we expect, obviously, continued volatility driven by some macroeconomic uncertainty and geopolitical tensions.

Regarding PET, yeah, we do expect some increases for the full year, mainly driven by higher oil prices and freight costs. However, our contract in Mexico is helping us mitigate part of the impact.

South America is a bit more exposed, as PET is fully imported primarily from Asia. However, thanks to our sourcing strategy and obviously close relationships with suppliers, certain contractual structures, we have been able to mitigate the majority of this impact and remain below prevailing market conditions.

On sugar and fructose, we observed a downward trend during the first quarter, and we expect stability in that regard. So, overall, while we expect some pressure in the coming quarters, we believe we are well-positioned to navigate this environment and be able to protect our margins.

Arturo Gutierrez: And I would add, Henrique, that it's not only what we have in our contracts, we also have built very strong relationships with the suppliers over time, and that becomes really valuable in these times.

Henrique Morello, Morgan Stanley: That's super clear. Thank you so much for the details.

Arturo Gutierrez: Thank you, Henrique.

Operator: Thank you. We have a follow up from Felipe Ucros with Scotiabank. Please go ahead. Your line is open.

Felipe Ucros, Scotiabank: Thanks, operator. Yeah, I wanted to do a follow-up on stills, guys. You had a very strong performance here, and it's several quarters at this point, where you've been performing so well in stills. So, I guess, this starts to bring up some interesting structural questions as the mix of stills increases. You have a higher ceiling when it comes to market shares here. How does the competitive landscape change as this category grows above market for you? So, put a different way, have competitors started getting more aggressive on stills since you've been performing so well on this across regions? And then, obviously, anything you can tell us about how the changing mix here changes margins and returns for the business as stills outgrows everything else? Thank you.

Arturo Gutierrez: Yes. Thank you, Felipe. I'll have Jean Claude comment on the dynamics in our main markets, maybe Mexico and the US as the best examples. But what I can tell you is these categories have been growing for quite some time. And you have to kind of divide them into the different segments, dairy and energy and sports drinks. So, we've been participants in these categories for a long time, and we're actually leaders in many of those categories. They are much more developed in the US as compared to Latin America. And that for us is kind of a window to what could be opportunities in our Latin American markets.



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So, I think we've been proving that we can also be marketplace leaders in those categories. The Powerade story in Mexico is a great example. And this is almost 20 years now since we've built leadership in Mexico in sports drinks. So, we do monitor profitability, which, as you know, is super important for us, profitable growth, and not only margins, but also gross contribution by category. And that also has been part of the profitability story of our operations.

But I'll have Jean Claude comment more specifically on growth in specific categories and subcategories in these markets.

Jean Claude Tissot: Thank you, Felipe, for the question. Just to reinforce what you are sharing, Arturo, is two facts in our two key markets, Mexico and in the US, we are growing share in stills. There are some facts that I would like to reinforce is the execution that we have with the stills. The execution in Mexico, with a focus on the traditional channel, to have a better SOVI and the cooler placement that we have in place to promote those categories. In US, that focus on back to the basics, with display SOVI and to ensure the fill rate with our stills categories.

Something to mention in some of the categories, what we have been done in Mexico with Santa Clara that is growing 16%. And as the Coca-Cola Company was sharing about Santa Clara, how it is now part of the club of \$1 billion brands. The same trend in terms of growth we see with brands like Core Power and dairy in the US. Something that is important, you were mentioning about Powerade, also a brand that is a focus right now with the World Cup because World Cup is how we are promoting Coca-Cola, Coke Zero, but also Powerade is playing a critical role on how we are capturing the opportunity of the World Cup, not just to connect with the consumers, the people that are going to be visiting Mexico and the US, but also how we are capturing that opportunity with our [inaudible] portfolio where the stills play a relevant role.

Felipe Ucros, Scotiabank: Thanks for the color, guys. I appreciate that.

Arturo Gutierrez: Thanks, Felipe.

Operator: Thank you. We have a follow up from Thiago Bortolucci with Goldman Sachs.

Thiago Bortolucci, Goldman Sachs: Hey, guys. Thanks for looking us back in. I have one follow-up question in Mexico. This is related to your packaging mix. We saw volume growth stronger than expected, although when I look to the consolidated mix, I see returnables losing share to non-returnables. I'm pretty sure it has to do with the mix of channels and products, but would love to hear a little bit more how returnables have performed within those brackets and how it ties up to your affordability strategy and the customers' elasticities that you have been highlighting throughout the call? Thank you very much.

Jean Claude Tissot: Thiago, thanks for the question. Indeed, you see the number, you see returnables going down. But the reality is the change and the shift of the mix of the channels. That modern channel where we don't have as part of the strategy returnables, that channel is growing more.



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When you zoom in, in the traditional channel, you see that returnables are growing in terms of mix -- 0.2% in terms of the mix. And that is part of back to the basics, because the RGM strategy that we put in place is about affordability, where returnable is a critical element to win and to be competitive and affordable for our consumer. And we have been growing some of the key variables for returnables, that is growing availability with our customers, but also the inventory of returnables per customer as well.

Arturo Gutierrez: What's important, Thiago, is that both packages are profitable. So, we use returnability as a tool to balance affordability with profitable growth. I think we've been able to do that this quarter.

Thiago Bortolucci, Goldman Sachs: That's clear. Thank you very much.

Arturo Gutierrez: Thank you, Thiago.

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, operator. I'd like to thank you again for joining today's call and for your continued interest in our company. If you have any follow-up questions, please reach out to our Investor Relations team, and we look forward to connecting with you again. Have a great day.

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

-END-

