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Arca Continental
Second Quarter 2026 Earnings Call Transcript
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Operator: Good day, everyone, and welcome to the Arca Continental second 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 second quarter and first half 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, everyone. We appreciate you joining us today to discuss our performance during the second quarter and first half of the year.

Our quarterly results reflect the resilience of Arca Continental's business model and the discipline of our teams across markets. In a complex operating environment, we delivered positive consolidated volume, protected profitability, and continued advancing the capabilities that support sustainable growth.

The factors we faced at the start of the year persisted throughout the first half, including a challenging consumer backdrop in some of our markets, volatility of input costs and evolving regulatory dynamics.

In this context, our focus remained clear. We leveraged precise revenue growth management, hedging strategies, rigorous cost control, and operating efficiencies, while staying close to our customers to create value across the entire chain.

And now, I will begin with our consolidated performance.

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Total consolidated volume remained positive, up 0.6% in the quarter and 1.7% year-to-date.

Notably, our Stills categories increased 2.4%, on top of a 2.1% improvement in the prior-year period, underscoring our ability to capture evolving consumption trends through a dynamic and innovative portfolio.

Consolidated revenues were broadly in line with last year, both for the quarter and on a year-to-date basis, driven by effective pricing strategies and favorable mix effects.

EBITDA was broadly stable, declining 0.2% in both the quarter and the first half of the year, with margins of 20.7% and 19.7%, respectively.

Overall, our performance once again demonstrates the strength of our business model and the solid fundamentals Arca Continental has built over time, allowing us to protect profitability, gain value share in key categories, and execute with excellence across all markets.

Let me now provide more detail on the performance across our geographies, starting with Mexico.

In Mexico, strong market execution, continued investment at the point of sale, and operating optimization, allowed us to deliver net sales and EBITDA growth despite softer volume trends.

Our beverage business navigated a more challenging quarter following a strong start to the year, as adverse weather conditions, a volatile macroeconomic backdrop, and the excise tax implemented at the beginning of the year, weighed on demand and volume performance.

Unit case volume, excluding jug water, declined 3.0% in the quarter and 1.0% year-to-date, reflecting the combined effect of these factors on consumer demand during the first half of 2026.

Volume trends improved in June, supported by the 2026 FIFA World Cup-related events and campaigns, combined with exceptional point-of-sale execution.

We also leveraged the World Cup to foster consumer connections, drive engagement, and consolidate brand relevance, contributing to value share gains across all categories during the first half of the year.

Mix dynamics were encouraging. Returnable formats improved their share within sparkling beverages, while single serve packages gained mix within our NARTD portfolio.

Coca-Cola Zero supported the resilience in colas, maintaining double-digit momentum for the second consecutive quarter and growing 23.6% year-over-year, while steadily gaining share within the brand mix.

Furthermore, our financial results in Mexico reflected the discipline with which we manage the business.

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Total net sales increased 1.5% in the quarter and 4.1% year-to-date, with average price per case, excluding jug water, up 4.5% over the three-month period and 5% year-to-date.

EBITDA grew 0.8% in the quarter, with a stable margin at 24.5%, while year-to-date EBITDA improved by 3.3%, for a margin of 22.8%.

Moving to our beverage operation in the United States, Coca-Cola Southwest Beverages delivered sound financial results in the second quarter despite a volatile operating environment.

This performance was underpinned by disciplined pricing, effective cost management, and strong point-of-sale execution, allowing us to navigate input cost volatility, inflationary pressures, and evolving regulatory dynamics.

Volume declined 2.3% in the quarter, while year-to-date volume remained positive at 0.9%. Transactions were down 1.4% in the period, with a 2.0% increase year-to-date.

Quarterly performance was partially supported by 1.5% growth in still beverages, with Fairlife, energy, and sports drinks up 12.4%, 1.8%, and 4.2%, respectively.

Notably, our zero-calorie portfolio also maintained strong momentum, growing 8.9% versus the prior year, driven by a 10.4% increase in Coca-Cola Zero and 5.1% growth in Diet Coke.

Through our innovation initiatives, we introduced more than 50 new SKUs, including the launch of BodyArmor Fit, strengthening portfolio relevance and responding to growing consumer demand in functional beverages.

We continued to improve our market leadership position, gaining value share across both Sparkling and Stills categories within the NARTD portfolio.

Consequently, net revenues grew 2.3% in the quarter and 5.0% year-to-date, with average price per case up 4.5%.

At the profitability level, EBITDA was up 1.8% in the quarter, with a stable margin at 17.8%. Year-to-date EBITDA increased 5.4%, reaching a margin of 17.1%.

Data-driven and AI-enabled initiatives are progressing across the entire value chain. Embedded in this effort, our inventory balancing platform is improving forecast accuracy and product availability, while supporting better service levels across the network.

Turning to our beverage operations in South America, total volume increased 11.0% in the second quarter and 7.1% for the first half of the year, led by robust sequential improvement in Peru and Ecuador, with a softer performance in Argentina.

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Total revenues for the quarter were up 6.5%, with EBITDA improving 5.7%, with a margin of 17.1%. Year-to-date, revenues declined 0.9% and EBITDA decreased 4.2%, for a margin of 18.1%, mainly due to unfavorable currency translation effects.

South America presents an improving operating environment. The region is showing renewed momentum, reflecting the strength of our business model and our ability to capture growth as underlying market conditions become more favorable.

Peru delivered a remarkable result, with total volume increasing 17.6%, our strongest second-quarter result since entering this market in 2015. These solid results were broad-based across categories, with Sparkling and Water up 16.6% and 25.2%, respectively, driven by favorable consumer conditions and solid execution.

This performance echoes the momentum of our dual Coca-Cola and Inca Kola strategy, as well as our ability to capitalize on the capabilities we have built through consistent investment in the operation, particularly in cooler coverage, while expanding affordability, availability, and consumption occasions across the market.

Channel trends were also positive, with all channels delivering double-digit improvements. This was supported by disciplined price-pack initiatives and strategic investments made over the past several years, reinforcing Peru as a progressively important market within our business.

In Ecuador, total volume increased 12.1% in the quarter and 8.8% year-to-date, proving excellence in our execution capabilities and fundamentals, which drove improvements in service levels and product availability.

Growth was broad-based across categories, with sparkling and still beverages up 11.4% and 14.9% respectively, reinforced by positive momentum in both modern and traditional trade and a 29.4% quarterly uplift in Coca-Cola Zero.

We gained value share in NARTD beverages, while the mix of single-serve packages improved 2.0%.

In Argentina, total volume declined 8.0%, cycling growth of 11.6% in the same period last year.

The traditional channel showed better dynamics, supported by targeted promotions, as well as activations linked to Coca-Cola's sponsorship of the 2026 FIFA World Cup.

We also gained value share across our NARTD categories, driven by affordability initiatives and returnable packaging innovation, including the rollout of the 1.5-liter returnable bottle for Fanta and Sprite.

At the same time, digital orders accounted for 83.5% of volume in the traditional trade, marking the highest level across our Latin American operations.

To wrap up our operations review, our Food and Snacks division posted a mid-single digit decline in net sales during the quarter, primarily due to foreign exchange effects.

In Mexico, Bokados delivered positive results, with net sales and EBITDA increasing mid-single digits, supported by growth in key channels, cost efficiencies, and marketing campaigns tied to the 2026 FIFA World Cup.

Inalecsa posted a robust quarter in Ecuador, with EBITDA improving by double digits, driven by its market leadership position and pricing initiatives.

Before moving to the financial review, let me briefly touch on sustainability.

During the quarter, Arca Continental was once again included in the FTSE4Good Index Series, with an improved score across environmental, social, and governance dimensions, positioning the company among the top 5% of performers in the Food & Beverage sector.

In connection with the 2026 FIFA World Cup, we worked with The Coca-Cola Company to implement a circularity model across matches and engagement events in our territories, recovering and recycling most beverage containers sold.

These achievements reflect the progress of our sustainable business model and the role of innovation and strategic partnerships in strengthening the long-term resilience, competitiveness and investment profile of our business.

With that, I'll turn it over to Emilio. Please, Emilio.

Emilio Marcos: Thank you, Arturo. Good morning, everyone, and thank you for taking the time to review our financial performance for the second quarter of 2026.

As Arturo mentioned, we continued to navigate a challenging environment in the second quarter with macroeconomic headwinds, adverse weather conditions and FX translation impacting top-line performance. Despite these pressures, we successfully protected our EBITDA margin through effective revenue growth management initiatives and a disciplined approach to cost and expense management.

Let me offer further insight into the financial results.

In the second quarter, consolidated revenues remain stable year-over-year at MXN63.5 billion. First half revenues total MXN120.6 billion, also in line with the same period of 2025. Reflecting volume pressure in certain markets as well as the translation effects given our US dollar exposure. On a currency-neutral basis, revenue rose 5% in the quarter and 6.8% year-to-date.

During the quarter, gross profit increased 2.1% to MXN30.3 billion, while gross margin expanded 90 basis points to 47.8%. For the six months of the year, gross profit grew 1.7% to MXN57.1 billion with gross margin expanding 80 basis points to 47.4%. On a currency-neutral basis, gross profit grew 6.2% in the quarter and 7.5% year-to-date.

Consolidated EBITDA slightly decreased 0.2% in the quarter to MXN13.1 billion. Despite a challenging operating environment, we maintained a solid EBITDA margin of 20.7%, reflecting our disciplined approach to cost and expense management. For the first half of the year, EBITDA decreased 0.2% to MXN23.8 billion, with a slight 10 basis points dilution in the EBITDA margin to 19.7%. On a currency neutral basis, EBITDA grew 3.8% in the quarter and 5.4% in the accumulated period.

Net income for the quarter decreased 9.4% reaching MXN4.9 billion, resulting in 80 basis points contraction in net profit margin. For the year-to-date period, net income totaled MXN8.7 billion, marking a 9% decrease compared to the previous year, with an 80 basis points contraction in net profit margin, mainly explained by the dilution in the operating margin.

Now moving on to the balance sheet, as of June, cash and equivalents totaled MXN28.5 billion, while total debt stood at MXN61.9 billion, resulting in a net debt to EBITDA ratio of 0.7x

We declared an extraordinary dividend of MXN2.50 per share to be paid on August 5th. Combined with the ordinary dividend of MXN4.28 per share paid in April, we reached a total distribution of MXN6.78 per share.

Looking ahead, while volatility is likely to persist, we remain confident in the resilience of our business and our ability to navigate challenges effectively. Our diversified geographic footprint, strong portfolio of brands, and proven operating model continue to position us well to respond effectively to dynamic market conditions. We'll continue to leverage our core capabilities, execute with discipline, and maintain a prudent approach to cost and expense management.

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

Arturo Gutierrez: Thank you, Emilio.

To conclude, let me reiterate our firm commitment to the full-year guidance shared at the beginning of 2026. Arca Continental is built to perform through different market cycles, capturing opportunities when market conditions are favorable and demonstrating resilience in more challenging environments, while building on our fundamentals, investing in the business and strengthening our leadership over time.

As we commemorate one hundred years of partnership with The Coca-Cola Company, this relationship remains a key driver of shared value creation. Our alignment supports sustainable and profitable growth, while opening new avenues across our markets.

We are now ready to take your questions. Operator, please proceed.

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 Lucas Ferreira with JP Morgan. Please go ahead, your line is open.

Lucas Ferreira, JP Morgan: Hi, thanks for the question. Hi, everybody.

So my question is on the Mexican market. If we can understand some of the business evolution from what I thought it was the very first quarter now to a bit more challenging 2Q. And looking at the 2Q numbers, it feels like the weakness was a bit more concentrated on the water and flavors, which I believe tends to explain a little bit the weather trends. I'm wondering if you guys can comment on the state of the Mexican consumer, so how you saw the evolution from a very good first quarter to a bit more challenging 2Q now. If it's really more explained by weather, like I said in the beginning, or if macro, in your view, and the elasticity of the consumer turns to be a bit more challenging. Just wanted to understand what to expect for the rest of the year once we expect obviously some sort of a normalization of the weather as we go forward.

Thank you very much.

Arturo Gutierrez: Thank you, Lucas. Good morning. We thought Mexico had a very resilient quarter nonetheless. Volume has been above our expectations throughout the year considering that we have headwinds for the year -- a combination of tax-related pricing pressure, elasticity, unfavorable weather, as you mentioned, in the second quarter that does affect when you look into a quarter isolated and a softer consumer demand in the quarter.

We are confident that our fundamentals are very strong. We're gaining market share in Mexico and our performance is pretty much tracking in line or even slightly better than we initially anticipated considering the circumstances. There are other factors that have impacted volume, some positive. We actually had a good month of June and we will remain prudent in our assessment for the remainder of the year, but it has not changed our outlook for the year in Mexico.

With respect to more on flavors, I will turn it over to Jean-Claude to give you more detail.

Jean Claude Tissot: Thank you, Arturo. I think that, if you allow me, I would like to reinforce about where are we -- not just in Mexico but in our five operations -- is that we are gaining value share in all our operations. And that reinforces what you are saying about strengthening our strategy, strengthening our execution, our digital initiatives, and taking advantage of consumer initiatives such as the World Cup. Regarding flavors, there's a consumer preference that continues to evolve, with growth shifting toward categories such as ready-to-drink, hydration, isotonic. And part of the pressure in flavors and water reflects, honestly, those mix changes rather than a structural market issue.

Arturo Gutierrez: Thank you, Lucas.

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

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Rahi Parikh, Barclays: Sure. This is Rahi on for Ben. Our question is, how should we think about price implementation in the different regions for the second half? How much of consumer sensitivity have you seen lately on the excise tax in Mexico? I know you mentioned a little bit of color, but if you have any other add-ins. Thank you.

Arturo Gutierrez: Thank you, Rahi. Good morning. I'll tell you about pricing in general and Jean-Claude will give you more detail about the impact of the tax that was imposed on Mexican sugary drinks.

In general, our strategy is to price at or above inflation and manage competitiveness, affordability, and mostly have a long-term perspective on every market. For that, especially this year, returnable packages have been very important in our Latin American markets and the price-pack architecture based on the tools that we have developed has been very important to balance, as I said, affordability and the profitability of the business. The pricing tool that we have is now embedded across all of our operations in Latin America, and that's been key to protect our margins in the region. Same thing for the promotion optimization, which is very important as we have a very dynamic market and some of the local decisions now are based on these tools that have been rolled out and deployed and have reduced non-productive spend in all of our business units.

With respect to the tax in Mexico, I'll have Jean-Claude give you more detail on the impact.

Jean Claude Tissot: Regarding the excise tax, as we shared during the last call, there's a new rate of Mexican pesos in 1.5 per liter for beverage. As we executed a full pass-through of the excise tax, resulting in an average price around 8%. What is important is what we did and the strategy that we implemented.

We implemented our digital pricing tool with granular segmentation and price elasticity scenario where we knew that affordability was going to be key. The single-serve packages were going to play a critical role and our master plan of returnable. And that's why we have a plan and results that are above initial expectations. That's what we are planning to do for the rest of the year. As you know, one of our competitive advantages that we have is RGM using the tools, the teams, but more important, you have to translate those strategies to the point of sale and our execution.

Arturo Gutierrez: Thank you, Rahi.

Operator: Thank you. We will move next with Felipe Ucros with Scotiabank. Please go ahead. Your line is open.

Felipe Ucros, Scotiabank: Thanks, operator. Good morning, Arturo, Emilio and team.

Quick question on the performance during the World Cup. You talked a little bit about the product mix, but there are a couple of other mixes that I'm interested in. One is, I wanted you to talk about the digital tools and how they behaved during a period where consumer traffic and behavior is perhaps not what you would usually have during an average summer.

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And then the second one, you talked about the product mix. I was also wondering if there were any channel mixes that could have changed what would have been usual profitability patterns during the quarter.

Thanks a lot.

Arturo Gutierrez: Thank you, Felipe. Well, first, about the World Cup and dynamics, I think they were very intense weeks for us, not only in terms of how we connected with our customers via the digital platforms, but also it was a test on our supply chain -- on our S&OP operation. And we had the best indicators probably in any summer in the recent years in terms of service to our market, so we're very pleased with that.

But our point about the World Cup, it's beyond really the market dynamics of those few weeks. It really serves as a very powerful platform to strengthen customer and consumer connections beyond the weeks of the tournament, and what we did with collector packaging, with the activations, with the album -- the Panini albums -- the consumer promotions in every country, that really for us is a way to strengthen brand relevance, marketplace execution, and those consumer connections and customer partnerships really extend well beyond the weeks of the tournament itself. That was the intent of how we activated the World Cup.

Naturally, it creates new consumer and consumption occasions. For example, we had 2 million visitors in Texas. We had more than 2 million FanFest attendees in our venues in Monterrey and Guadalajara. That is not probably the typical consumption occasions that we have in these weeks, but in general, I think we're looking beyond the immediate impact of the event and creating those connections for our brands, particularly Coke Zero and Powerade.

Thank you, Felipe.

Operator: Thank you. Our next question comes from Ricardo Alves with Morgan Stanley. Please go ahead. Your line is open.

Ricardo Alves, Morgan Stanley: Hello, Arturo, Emilio, thanks for the call. I had a question on maybe more longer term, less related to the quarter specifically. I think that the deceleration that we saw in your volumes in Mexico, sequentially speaking, I think that it's been across the board when we think about the Mexican consumer. With that in mind, with a more elastic consumer, if you will, what's been your main strategy? What's been keeping you awake at night in terms of the main short-term changes that you have to execute? Are you more focused on attacking affordability issues more aggressively with the returnables? I think that I don't remember who exactly was mentioning the pack size on the single side, or is it a channel focus shift? I'm just curious.

2026 has been a tough year. You had the excise tax that you had to price through and now you have a consumer that is kind of lackluster. You had a good start in the first quarter, second quarter decelerated. It seems a very dynamic environment, so I'm curious to hear, number one, where is your focus in terms of adapting your strategy? And maybe more important, where you are in this path of executing more on the affordability, maybe pricing, or more tactical pricing.

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I'm just curious to hear your thoughts on that. Thank you.

Arturo Gutierrez: Thank you, Ricardo. A really important question.

As we look into Mexico, I think we see that this is a great example of what we've been saying about being resilient in situations where we have headwinds in the operations short-term and being able to protect our market leadership, as Jean-Claude was mentioning, with our share of market. Protect our profitability, also. Because we know that we're going to have better times and we're going to capitalize on the fundamentals of the business. And actually, this particular quarter, we have kind of the two examples of what we do. We're resilient in difficult circumstances like Mexico, and then we really thrive when we have some tailwinds, like in the case of Peru now.

So talking about the priorities, beyond what is the day-to-day execution, attention to detail, that obviously we want to reinforce when we have challenging times, I would say there are three things that are really, really important for us this year, and they're, I would say, consistent in our strategy, in our playbook. One is the price-back architecture, pricing tools, combining returnable packages with the one-way packaging, the single serve, multi-serve, protecting affordability, protecting actually some packages that we want to make very competitive, and at the same time have the profitability and the margins of the business that we aim to have. So that's really important. And for that, we have new tools that have been very useful this year and the previous years in Mexico and Latin America.

Second is that we have a more robust efficiency plan in terms of OpEx and cost savings, and we can talk more about that, but this is, again, reinforced in a year when we have these challenges that we face.

And number three is that we continue to invest -- and that's super important -- we continue to invest in things that we know that are going to make us emerge stronger when we face a more positive environment. And this is exactly the story of Peru now. We've invested last year, probably not the best year in that market, but we are capitalizing on the investments now. So that's something that we have learned over the years because in Latin America, we know that there's volatility in the markets and so we've been consistent in that strategy as well and that's paid off every time. So we look forward to a much better future in Mexico as well.

Ricardo Alves, Morgan Stanley: Much appreciated.

Arturo Gutierrez: Thank you, Ricardo.

Operator: Thank you. We will move next with Alvaro Garcia with BTG. Please go ahead.

Alvaro Garcia, BTG: Hi, Arturo, Emilio, Jean-Claude, thanks for the space for questions. One for Emilio on margin dynamics. Gross margin dynamics seemed pretty healthy. On the flip side, some operating deleverage probably across Mexico and the U.S., but additional marketing spend probably from the World Cup. So if you could just...and I thought the overall margin print was quite healthy given where top-line was, sort of flattish, both in Mexico and the U.S. If you could just walk us through sort of those drivers and what you saw in the second quarter, that would be quite helpful.

Emilio Marcos: Yes, thank you, Alvaro, for the question. Yes, as you can see, we have an increase in OpEx. While our ratio of OpEx to sales is higher --100% basis points than the first half of first year -- we closed the first half of around 32.5%.

The increase was mainly driven by higher depreciation. We have 10% higher in the quarter and 8% year-to-date given the investment that we have made over the past few years to improve our operation capabilities. Additionally, we have in the quarter higher DME expenses related to FIFA World Cup commercial and marketing activities. But we anticipate this ratio to normalize in the second half of the year. And so we won't have those –- some kind of the expenses that we had in the first half.

Also, we have implemented some productivity and saving programs that maybe if Chuy wants to share with us some of those. That will allow us to end the year on a ratio of around 32%. And talking about the EBITDA margin consolidated, although the market conditions are expected to remain difficult, we maintain our disciplined execution and manage all the expenses that we control and we're implementing, as I mentioned, some efficiencies and saving programs that we may share with you some details.

And also our hedging strategy is helping us to reduce the volatility in raw material prices. So we maintain the outlook with all these initiatives to support a profitability margin for the full-year of around 20%.

Jesus Garcia: Yes, Alvaro, thank you for the question. As far as what we're doing in regards to productivity and efficiencies, we remain committed to continuous improvement and efficiencies across the organization. For 2026, we expect to generate about $630 million in savings. We obviously have many initiatives. And I'll give you some examples of what we're working on. And just clarifying, the MXN63 million is pesos.

We have a multi-year investment in our U.S. Infrastructure that we have talked about in this call before. Most of the benefits are going to materialize in 2027, but we expect to generate some savings in 2026. We're scaling a B2B-enabled model across Latin America. This is going to allow us to improve outlet-level efficiency and reduce our cost to serve, and we expect to continue expanding that in 2026.

We are expanding the way we monitor our execution at the customer level. We have gone from 15,000 to 50,000 customers by June 2026. So you get an idea, more than half of the traditional trade is now monitored through photo recognition by our front-line sales force and also external sampling. We're also working on light weighting initiatives, routing, redesign, network optimization. As you know, we operate in five countries. We share a lot of best practices. Some of them will be specifically for a country, but most of them will be replicated across the organization.

Alvaro Garcia, BTG: Awesome. Thank you very much. Great color.

Arturo Gutierrez: Thank you, Alvaro.

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 today's space. My question is related to the U.S. business. We saw a decrease in terms of volumes and the company holding price increases. So my question is related to the dynamics in the quarter. If you can give us some color on how the company has had those results, even in a decrease of volumes, and what we can expect for the U.S. in the second half of the year?

Arturo Gutierrez: Thank you, Renata. I will make some general comments and I'll ask Jean-Claude to provide more detail.

I would say that the U.S. has been facing a challenging consumer environment, affordability concerns of our consumers, and weaker store traffic in general. But momentum improved throughout the quarter. We had actually a very good month of June and a record week of transactions, which is what we're focusing on. And very importantly, as Jean-Claude mentioned, we are very solid in our leadership in the market. But I'll turn it over to him to expand on the U.S. performance.

Jean-Claude Tissot: Yes, Renata, thank you for the question. Despite the challenges that Arturo is sharing, it's important to reinforce the strategy that we have in place together with The Coca-Cola Company. We have been consistent through the years to grow transactions above volume and we are doing the same this year. Actually, we are growing around 2% our transactions, which is a really good number year-to-date.

What we see is also that we are keeping our EBITDA margin at record high and we are gaining value and volume share, which is extremely positive. What do we see for the rest of the year? We continue to face the same challenges with the consumers. That's a reality and that's why we need to focus on the strategy that we have in place that Arturo was sharing.

Our RGM, our digital tools, as Chuy was sharing as well, but the obsessive mindset that we have in our execution. And we took World Cup as an opportunity to strengthen our execution. If you see the numbers in terms of fill rate, market execution, number of displays, we were able to achieve a record high in our execution, and we keep as a bottler leading the execution in the U.S. That's why we continue to be optimistic, maintaining the same guidance that we have for the rest of the year regarding our business in the U.S.

Renata Cabral, Citigroup: Thank you.

Arturo Gutierrez: Thank you, Renata.

Operator: Thank you. We'll move next with Kevin Zavala with UBS. Please go ahead.

Kevin Zavala, UBS: Hello, good morning, Arturo, Emilio, and Claude. This is Kevin from UBS on behalf of Rodrigo Alcantara. Could you comment on recent market share trends in Mexico and the U.S.? In Mexico specifically, it would be helpful to understand whether the weakness in the flavor beverage category reflects market share dynamics or a broader category trend.

Similarly, in the U.S., how do you assess the underlying health of the category given the soft volume performance? Is this weakness primarily category-driven or are there also company-specific market share factors at play? Thank you.

Jean-Claude Tissot: Yeah, Kevin, thank you for the question. That's something that we are going to reinforce today during our Town Hall with the entire company. It's how proud we are about our value share results. That we are gaining value share in our five operations. We are facing different realities and challenges, some of them out of our control, and despite those challenges, we have been able to grow market share. Why? The strategy, the RGM strategy, the focus in Mexico in terms of returnables, execution, sorry to be repetitive about execution, but all our KPIs of execution continue to improve in all our operations, and how we are promoting Coke Zero, and Zero as we were sharing at the beginning of the conference call, growing double-digits.

Then the fundamental of the business -- growing value share -- continues to be a reality in all our operations.

Operator: Thank you. We will move next with from Alejandro Fuchs with Itau. Please go ahead.

Alejandro Fuchs, Itau: Thank you, operator. Hola Arturo, Jean-Claude, Emilio, thank you for the space for questions.

I have one brief one, if I may, coming back to Mexico again. I wanted to see maybe Jean-Claude or Arturo, if you could elaborate a little bit on what you're seeing in terms of competition, especially in the north of Mexico. Are you seeing anything different that happened this quarter for maybe the B-brands or other players that was surprising to you? And then maybe if you could elaborate, Arturo, these first weeks of July, just overall, how are you seeing the momentum in the company, is it being sustained, the momentum in June that you mentioned, or has it normalized a little bit? Thank you.

Arturo Gutierrez: Thank you, Alejandro. Really, we have not seen anything different from in the environment that we've seen in Mexico in recent times. I mean, we're facing, as I said, a challenging environment in general. I think our affordability strategy has paid off really well in terms of market share. What certainly has been different, and it's reflected in the last few weeks, and that's why we had a very good trend at the end of the quarter was obviously the activity around the World Cup, as I mentioned before, and we were well-prepared for that.

But in general, the consumer environment is pretty much what we expected considering also the tax that has been imposed. And as I said before, our performance so far is above our initial expectations, assuming the elasticity that's implicit in the price movements that we have carried out.

Alejandro Fuchs, Itau: Super clear. Thank you, Arturo.

Arturo Gutierrez: Thank you, Alejandro.

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, and thanks for the space for questions. Maybe if you can give us more, or my question is related to South America, if you can give us more color about the main drivers that explain the strong demand seen in Peru and Ecuador during the quarter, and if this performance is in line with your initial expectations or above, and what should we expect in coming quarters? Thank you.

Jean-Claude Tissot: Thank you, Fernando. I'm going to take that question. We have been able to demonstrate as Arca Continental that when we face challenges, headwinds, we are resilient. But at the same time, when we have tailwinds, we take advantage of those tailwinds. But why? Because we have been investing in the business, because we have a clear strategy in place, because we focus on the execution. And that's what we are doing in Peru and Ecuador. Focus on RGM initiatives about affordability, reinforcing returnable. Something that is working extremely well in Peru that we shared during the last conference call, the strategy of the dual strategy. Supporting Inca Kola and Coca-Cola at the same time is driving extremely good results. Weather is helping as well, but we are taking advantage of that weather that is helping us to improve our execution and results. We expect and results are above our original expectations in both countries and we expect that for the remainder of the year we will continue to deliver with a similar trend.

Fernando Olvera, Bank of America: OK, great, thank you.

Arturo Gutierrez: Thank you, Fernando.

Operator: Thank you. We will move next with Henrique Brustolin with Bradesco. Please go ahead.

Henrique Brustolin, Bradesco: Hello, everyone. Thank you for taking my questions. Arturo, I would like to move back to Mexico only on the discussion of the guidance, right, that if I recall correctly, the guidance for mid-single digit top-line growth, it applied for all the markets, right? And in Mexico, you are well on track with that for the first half of the year. But Q2 was a deceleration and implicit in the mid-single, we need to see a re-acceleration, right, of top-line growth in the second half of the year relative to where it was in Q2. So just wondering if you could qualify a little more on where you see the main drivers for top-line growth accelerating on the back half of the year. If it's more comfort on volumes recovering from the performance in Q2, if it's more on the maybe incremental pricing front, I think that would be really helpful. Thank you.

Arturo Gutierrez: Thank you, Henrique.

Well, we have not changed our guidance for 2026. As you well said, it's sales growth in the mid-single digits, and that would be currency neutral for the year. We are keeping our guidance in CapEx as well for the year. So that takes into account the situation in Mexico that, as I mentioned, it's been challenging.

We are confident we're going to navigate this environment effectively. It's not going to be our best year in terms of growth, and we have certainly some tough comps by the end of the year that also we have to take into account. But we are looking here more at the long-term perspective in Mexico and investing in the future, reinforcing our fundamentals, reinforcing our supply chain, and we're very satisfied with what we've done, leveraging returnable packaging, etc. So it's not that we're expecting spectacular growth, but that's pretty much embedded into our guidance for the year.

Henrique Brustolin, Bradesco: Thank you.

Operator: Thank you. Our next question comes from Vanessa Quiroga with Eternal Capital. Please go ahead.

Vanessa Quiroga, Eternal Capital: Hi. Thank you for taking my question. I want to dig deeper into the cost side, especially on bottles – PET -- because we saw ALPEK results where they are seeing a big increase in their profitability because of the higher prices, higher spreads. So I want to understand better how that flows into your costs across the different countries, if you have any hedges in place? If not, when could we see any of that reflected into your results? And with what lag of time? Thank you.

Arturo Gutierrez: Thank you, Vanessa. I'll just say in general that our PET in ‘26 is certainly expected to be above '25, but we have sweetener costs that are more favorable, and there's also the effect of aluminum that is being hedged mostly in Mexico and the U.S., but I'll have Chuy expand and give more detail on our raw material overview and situation.

Jesus Garcia: Thank you, Arturo, and thank you, Vanessa, for your question. Evidently, there is volatility across global commodity and energy markets. For us, the main potential areas of impact remain, as we discussed in the other quarter, in the previous quarter, PET, aluminum, and diesel. Having said that, on aluminum we have fully hedged 2026. On LME for Mexico, 97% for the U.S., Midwest 50% in the U.S.

PET prices continue to trend upward across our operations during the quarter. They did remain broadly similar to those observed in the first quarter, but we will get some pressure on PET. Most of that impact has been contained in the U.S. We expect a bit of pressure in Mexico and South America, but overall our hedging program, the agreements we have in place with our suppliers, the sourcing strategy, and ongoing cost control leave us well-positioned to mitigate these pressures and support the profitability of the organization.

Arturo Gutierrez: And in terms of Mexico, PET also has a more favorable environment because of the exchange rate. Thank you, Vanessa.

Vanessa Quiroga, Eternal Capital: OK, thank you.

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Operator: Thank you. We will move next with Tiago Hardium with Bloomberg Intelligence. Please go ahead. Your line is open.

Tiago Harduim, Bloomberg Intelligence: Good morning, Arturo, Emilio. Thank you for taking my question. I wanted to ask a follow-up on Felipe's and Renata's question here, basically on the U.S. and World Cup. The last quarter we mentioned, we talked a little bit about the rollout of the suggested order tool in the U.S. So just wondering how that's evolving, specifically in the second quarter that we had World Cup. So I understand that could be a little bit of a boost for engagement.

Also, I know we also talked about Peru. But since it had such an amazing performance, I'm just wondering if we could discuss a little bit on how the dual strategy between Inca Cola and Coca-Cola played a role? I understand that we're entering a phase of capitalizing on investments, so I'm just trying to give a little bit more of weight to Peru's performance here. Thank you.

Arturo Gutierrez: Thank you. I'll address the question of Peru, Tiago, and then I'll turn it over to Jean Claude. But what I would say is that, yes, this dual strategy in Peru, it's pretty unique. If you look at the Coca-Cola system in the world, there's probably no other market where you have this great advantage, and you've been to Peru, you know how Inca Kola has this very strong connection with consumers, with certain consumption locations, with meals.

If you look at the growth of those two brands at the same time, 18%, 12% respectively, that tells you a lot about how they reinforce each other in the marketplace and probably we have not capitalized fully that in the recent past, so we're very confident that that's still going to bring growth and we're projecting further growth in Peru in the rest of the year, so we're confident this is very sustainable going forward and also in profitable terms. That would be for Peru, I'll ask Jean-Claude to address your question on the U.S.

Jean-Claude Tissot: Maybe something helpful to reinforce a little bit about Peru is that that alignment with the Coca-Cola Company behind the dual strategy on how to strengthen also and to capture the opportunities in rural areas is working and that's the mindset that we have about being a market developer. That's our role as a bottler.

Regarding the World Cup, we already said that we took advantage of the opportunity and in all aspects. In terms of the digital tools, digital tools that we put in place were to improve our execution, to improve the relationship with our customers, but also something that we did together with The Coca-Cola Company to improve the consumer experience. Then, if you see the difference of this World Cup with any other World Cup, was the digital engagement with consumers and customers.

We had a lot of discipline to track our execution and as I already shared, and all our execution, because compliance, fill rate, SOVI was improved, and something that was remarkable as well is how we were able to improve our execution and performance in the On-premise channel in both countries -- in the U.S. and in Mexico. When we were with Enrique Brown last week during the final, something that he recognized was that this was one of the best activations for the World Cup that we had as a system.

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Tiago Harduim, Bloomberg Intelligence: This is fantastic. Thank you very much.

Arturo Gutierrez: Thank you, Tiago.

Operator: Thank you. We will move next with Carlos Laboy from HSBC. Please go ahead.

Carlos Laboy, HSBC: Yes, good morning, everyone.

Can you please comment on three elements of your market development strategy?

The first one is how are you driving both affordability and premiumization in Peru against the discount competitor? Do you need more refillable capacity there?

The second one is can you give us some context on your cold drink efforts and the amount of white space that you still have to fill there in terms of coolers in these rural markets in Peru?

And third, what elements of this effort that are driving this really fast growth in Peru might have been impossible in a pre-digital era?

Arturo Gutierrez: Thank you, Carlos. Let me address your points and, Jean-Claude, feel free to jump in with any additional detail. First, about affordability, certainly investment is also relevant there. As you know, the physical cases of both sparkling Coke and flavors that we've introduced are very important to balance that strategy that you mentioned, and make sure that we maintain the profitability and premiumization of the category, but at the same time have the price points and the price-pack architecture that we know works in the marketplace.

And for that, that connects to your third point, because we're getting more information from the market, we have better tools to implement that, and that would not have been possible recently, or at least it would not have been as agile, I would say, because the tools, they don't only provide deeper analytics, but they provide more agility to take those actions, and we feel more confident when we do them, so that's really important. In terms of cold drink equipment, we've invested heavily on cold drink units last year and continued this year, but if you look at the penetration of coolers in Peru, it's still really low as compared to Mexico. I mean, it might be 60%, and Mexico, we're above 80%.

So, it tells you there's an opportunity. Obviously, it requires, again, having the right strategy to do it, especially when you go into the rural areas. That's been also part of the success in Peru, as Jean-Claude explained, being successful in the provinces in that country as well.

The digital tools, going to the third point, are also relevant, as we have explained before, to manage the complexity of the business. Growth will come also from a larger number of SKUs. Peru is the best example of multi-category that we have in our system. It continues to gain momentum. We have, as you know, beer in Peru that's been growing in our distribution system, and that is only possible when you expand the bandwidth of our frontline with the digital platforms and the digital capabilities.

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So, I think all three aspects that you mentioned are really critical to make this growth sustainable for the future and to make us confident that this is not just navigating this wave of tailwinds, but really building a stronger profitable business for years to come in Peru.

Carlos Laboy, HSBC: Thank you.

Arturo Gutierrez: Thank you, Carlos.

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

Arturo Gutierrez: Thank you, operator and thank you all for joining today's call and for your interest in Arca Continental.

If you have any follow-up questions, our Investor Relations team remains available to assist you.

We hope you enjoy the rest of your summer and look forward to speaking again in the fall. Have a great day.

Operator: Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.

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