Stephen Powers:
Thank you for joining us. Thanks especially to The Coca-Cola Company for joining us here back in Paris at the conference. With us today is John Murphy, president, and chief financial officer. And thank you for being here.

John Murphy:
Pleasure to be here, Steve. Thank you [inaudible].

Stephen Powers:
We're going to spend the whole time in the fireside chat of sorts. It's the chatting. And building, I think, awful lot of what we talked about a year ago. It's been a pretty successful year, I think within The Coca-Cola Company. We spoke a lot about the importance of growth and of marketing investments last year and helping to drive that growth. I think we'll revisit some of the same topics again today and talk about how they've evolved. But maybe just to kick us off and ground us, I described the last year and where you are now as successful. I would love your perspective on where you feel the business is, how you would frame current momentum. You had a very strong first quarter that allowed you, in my opinion, to confidently reaffirm the year. But again, how are you feeling about the business overall? What are you most proud of? Where do you see the most opportunity?

John Murphy:
Well, first of all, thanks for having me again this year. Always good to be back. And not just the way the year has started. I think coming out of the last three years, our company and our broader ecosystem that we play in is stronger today, I think, than it's ever been. And not just with the numbers that we're posting, but also the underlying momentum that we have pretty much across the board. So we're very much pleased with that. As I'm sure you've heard throughout the week, we still are operating in a very dynamic environment. There's lots of tensions in the world, whether they're at the macro level or at the micro level, and I think we're getting better at just dealing with it. And currently, we talked a lot about having an all-weather strategy. We like that expression now. We think it fits well with the approach and the focus that a company like ours needs to have.

And within that, there's a few themes that we're very clear, are important for us as a company and working with our bottling partners, having a growth portfolio of brands that are relevant for today. We took a lot of actions throughout COVID to rightsize the portfolio and make sure that it's fit for purpose
going forward, and we'll add to that and take away from it as appropriate. We've done a lot and we continue to do a lot of work on the marketing and innovation agenda. We knew over the last three or four years we need to step up there. And I think we're demonstrating that with our actions. We have a tremendous set of partners around the world, and if anything, I think are working even more cohesively with them. The whole resource allocation theme that we've discussed in the past continues to be both an area of strength and opportunity.

We're very clear on where the profit tools are around the world, and we're very focused on aligning our resources to go after them in the most efficient and effective way. We've made a lot of changes in our organization, both with people and with how we're structured, how we're doing work. The digitization of the world has, I think, made it just mandatory that you've got to look at your businesses end to end and not allow traditional silos to get in the way. Culturally, that's not easy. It takes a lot of focus to drive that end-to-end view, and we're making progress on that. We feel good about it, good leadership, both in our own company, down through the ranks, great leadership around our bottling system and working well together. So good momentum coming into the year. We feel that that underlying momentum can continue. And as we look to the next three to five years, there's more opportunity out there to look at than I think there are issues. You can get caught up in the issues all day long, but I think the opportunities for sure override them big time.

Stephen Powers:
And maybe from that perspective, the opportunities as you see them. You talked a lot about the enablers internally of the company and of the system to capture those opportunities. But what are the opportunities that you see that allow you to have confidence and be able to deliver that four to six percent top line growth objective, ideally, at the upper end of the range?

John Murphy:
So the first place I always look is, what industry are we competing in? We have been in the beverage industry for a long, long time, and yet we continue to push out the addressable market that we see as one that we can play in. So that's number one. Number two is the industry itself. If you go back to the early 90s and look at the growth of the beverage industry, with a handful of exceptions, it performs in a relatively consistent mid-single digit growth environment, plus or minus. So the reason that's the case is that underlying the industry, you've got predictable demographics, you have people's disposable income growing. The middle class continues to get bigger around the world, even though it's not as straightforward as perhaps we would've thought five, 10 years ago. And the access then that we have both physical access and digital access to people has continued to improve pretty dramatically. But they're drivers of what ultimately is, I think, benefits our industry.

Secondly, underneath that, when I think about the portfolio that we have, we're fortunate that our core business is in the sector that's the most profitable, sparkling beverages. And we continue to see leadership opportunities there. For the many, many years now, we have taken a position to challenge in a number of other categories, and we've continued to challenge until we get to leadership. And then, with some of the newer stuff we're doing, we're exploring, we're learning, we're figuring out a way to build up a more material position over time. And then, the third area I'd say is that just the overall, the cumulative impact of the work that we, with our bottling partners have been doing has, we're a better system today than we were three to four years ago. And I would expect us to say the same thing in three years' time about where we are today.
Stephen Powers:
So when James came in and when you came in and redefined Coca-Cola as a total beverages company. You opened up the door to a lot of experimentation and exploration beyond carbonated soft drinks. So you tell me if this is not fair. Somewhat ironically to me, since that time, the thing you've been most successful at is dispelling the notion that carbon soft drinks can't grow. That you've been very... I bet you don't even really get that question anymore about why should I believe that Coke can keep growing? On the other hand, a lot of the points of exploration are still points of exploration. They've expanded in number, we see the company in the system exploring alcohol, but they haven't sort of universally been maybe as successful as hoped. Is that fair? And if so, how can you bolt on more successful expansion on top of the success in the core?

John Murphy:
Yeah. I think we've always been the most optimistic about our core business. And maybe that's the way it should be. We've always believed that the consumer is very open to engaging with us, with our core brands. And so, I think the starting point, if I go back five or six years with this phase of the journey that we're on, is to actually, and I know at the time it seemed a little bit almost counterintuitive, but it really does start with the consumer. It really starts with making sure that we understand and anticipate what their needs are. And when you take a very close look, those needs are multiple. I'm not going to go into the weeds on need states and why they drink, et cetera, but there are multiple needs out there, many of which are satisfied with sparkling beverages. And it's, I think being, if anything, a driver of

John Murphy:
The belief that we've had is having that stronger focus on understanding the consumer. And we've seen over the last three or four years that staying relevant, bringing them solutions that are appropriate to the occasions that they're looking for, there's tremendous upside still in sparkling beverages. But we also have learned in that greater focus on understanding the consumer, that also there's many occasions and times during the day when they want something else. We have been, I think, not as equipped always to offer that, for a variety of reasons, whether it's through the brands we have, or through our supply chain, or through our capabilities in other areas. But I think the thrust has been, you can do two things at one time. You can stay very focused continuing to lead in the areas that we're known for, but over time build stronger and stronger positions in those newer categories.

I think underneath that too, there's this constant tension between scale and what I would call intimacy. And ultimately, this business system like ours generates the most value when we're able to scale solutions. And so, again, almost the contradiction in terms of encouraging and empowering an organization to be more entrepreneurial is that, over time, you want that to ultimately become scalable. And if you don't bring the right discipline and the right mindset, that empowerment can result in a lot of small things not developing. And so part of the changes we've been driving over the last three years has been managing that tension, driving scale where it makes sense, encouraging a more disciplined approach to experimentation, cutting it when it is not working. When it does, bring it into more markets.

Stephen Powers:
How does that relate to the innovation process and the choices you're making around marketing, which I think most people in the room probably agree, at the core, you need to get that right to build. So how does what you just described in being more nuanced and agile, yet at scale relate to how you've been able to evolve the innovation process in your marketing?
John Murphy:
So I think this tension that we have between scale and intimacy is a theme that runs through many facets of how we’re running the business today. Manola was with us last year, and at that time he talked about the work that he’s driving to build a more powerful marketing and innovation engine. And at its heart is this continued focus on the consumer, but then building a set of capabilities with partners whereby we’re driving both the efficiency and effectiveness needles at the same time. Secondly, I think with the way technology has invaded all of our lives, some for the better and some not, we’ve recognized how important it is to not just incrementally, but to considerably shift the investment in engaging and staying relevant with the consumer through technology, through digital as a core enabler, a core driver. And we’re seeing that play out in just about every market in the world. And when you look at the overall investment dollars we’re putting into marketing, the shift towards digital has been tremendous.

And I think that the third area I would highlight is that, and you’ve probably heard it from other companies too, the focus on engaging with people through experiences is something that has grown pretty dramatically over the last three or four years. If you take music as one vehicle to build an experiential proposition with consumers, we’re in a much, much different place than we were even three years back, through the development of Coke Studio, how that’s scaling. This is a good example of an asset that grew in Southern Pakistan, of all places, is now growing into an international sort of phenomenon and scaling around the world. And it is bringing together a combination of what I’ve just talked about, big idea, leveraging technology and driving experiences. And I think that’s fast becoming the way in which I think we can better engage with our consumers around the world.

Stephen Powers:
Yeah, I think the analogy is there to the innovation process too, where you've been able to take ideas from one spot and scale them.

John Murphy:
Yes. In both marketing and innovation, we have this terminology now, if we talk about experimentation at scale in which through the kind of organization we have in place now, it’s much easier to first of all prioritize what we think is going to have the most impact. Go out and try it, and if it works, scale it. And as I say, you can apply that logic to both the marketing ideas as well as the innovation stuff. In the innovation space. I think we have been able to identify common threads, common themes across the world and then hone in and invest I think more effectively. So the world of sweeteners is a good example. Having an enterprise view on the direction of travel there, and then having the wherewithal to invest intelligently on a sweetener agenda that's applicable to many, many markets versus allowing each one to go off and do their own thing is just one example of being able to use scale to move faster.

Stephen Powers:
Another topic that you've been talking about a lot for a while now, and it's been, I think in every conversation I've had this week, is around revenue growth management. How much, and how can you help us appreciate how much you've been able to build that muscle over the last number of years? And where does it rank on your list of things that you have opportunities to improve further on and gain more value from?
John Murphy:
Like many, many topics in our business, I can give you the good news with a great example, and I can talk about the size of the opportunity ahead with another example. So through a lot of the revenue growth management work that we've been doing cumulatively with our bottling partners over the last few years, you can measure progress with the impact that we have on value creation for our customers. We have, I think in '22, generated twice as much dollar value as the next four or five of our competitors. It's a humongous number, and one that again just brings home the impact over many years of driving this equation. That's the good news.

On the flip side, when you look at the number of people who actually buy a beverage when they go shopping, it's still a shocking number. I think the last number I saw was somewhere in the 6% to 7% range on average. In some markets it'll be higher, and some it'll be lower. So if you think about that as a number, the opportunity ahead to engage even more effectively with shoppers at the point of purchase, whether it's online or offline, I'm agnostic on either one because there are lots of ways to be more effective.

I think the RGM equation has got a long, long runway ahead of us. We continue to believe in that, and therefore it continues to form a big part of our narrative, and I expect it to do so for a long time to come. And you can say, what does that mean? At the end of day, it ultimately comes down, I think, to understanding better the occasions that people want beverages for, being able to segment the market in a much more granular way. We often talk about countries as if everybody behaves the exact same way in every part of the country, and nothing could be further from the truth. So being

John Murphy:
Been able to segment. And then, with that understanding, offering a range of price pack propositions that ultimately meets what that occasion demands.

Stephen Powers:
In the early days of revenues grant growth management conversation, it was almost synonymous with trade spend optimization. It was just another way to realize more price. But, you were early, I think to really expand that definition a lot or put a spotlight that there it was more than that. You've been talking about driving affordability. So, you've been in some ways driving negative mix very intentionally to get people and keep people in the system, in the family, while at the same time driving premiumization. And the premiumization work helps fund the affordability work, which helps grow the size of the pie for the long term. And, this is a nice feedback loop. You just talk, if I butchering that explanation, you can correct me. But, talk me through the logic of how and the scope of how you think about revenue growth management.

John Murphy:
You haven't quite butchered it, but, I think there's a little bit more to it. If I can maybe compliment what you've just said.

Stephen Powers:
Thank you.

John Murphy:
I think across one spectrum you have this affordability premiumization axis.
Stephen Powers:
So to speak.

John Murphy:
But then, on the other axis, you also have to have a view of the shopper and the shopper profile, and
the occasions for which that shopper is looking at stuff. But, when you marry all those elements
together, if I think about a given store, you end up with the ability to segment that store. So that you're
in a position to, first of all, as a business, optimize the quality of revenue, both the absolute and quality
of the revenue in that store, through better engagement. Offering the customer a story that works for
him or her.

For the shopper coming in, if you go to buy your meat and you place, let's say one and a quarter liter of
Coke with a picture of the barbecue, the chances of you engaging with that could go shopper go way up.
If you understand who they are, then they pack your offering. If it's the right one, you generate a greater
degree of transaction. One small example. But if you multiply that by many, you get to see the power
behind the whole RGM world. The other piece of the RGM equation, which gives me confidence that we
can still do a lot more, is the world of analytics and all that's available to us nowadays, in being even
more granular, being more specific on patterns that are at play in the marketplace. And I think we're in
early stages of really fully leveraging that.

Stephen Powers:
I guess, in funding the things we've been talking about. A lot of the things we've been talking about
require an investment. And hopefully their self-funding in so far as they generate a return and growth.
But, obviously overcoming cost has been a hurdle and tell us, so maybe, level set us on what you're
seeing from a cost inflation standpoint as you look across the business. And then, also your line of sight
to productivity as another fuel source to drive these investments.

John Murphy:
I think on the whole resource allocation piece, I'd start with a comment I made earlier. It's really
important I think, to understand the profit pools, and where one can deliver the most value. And then,
from there to drive greater discipline with a global footprint, how do you best go after those profit
pools. Through an over rotation of investment on the country category combinations that deliver the
lion's share of the profit. In the last year or so, I think for the first time we've gotten a very granular view
of what that looks like around the world. We're in the process at the moment of working very closely
with our bottling partners to deliver against the potential that this picture offers. Investing more of your
resources against those country category combos that deliver, not just the current profit pool, but the
future profit pool.

It's a no-brainer. Doing it in a disciplined, consistent, sustained way is another topic, and when you have
to build capability around. So, that would be my starting point. The second piece underneath it is,
there's one thing to put dollars against any initiative, to do it effectively is another topic completely. I
think honing in on the quality of the investment and that that investment is over time delivering. The
return is the second big bucket that we've been very focused on. And again, just referring back to some
of the work Manola, was doing, I think that's at the heart of it, is ultimately getting more output for the
dollars that we're putting in. And, on the cost management piece, it's part of doing business. I don't
think there's ever a day we'll come where we're going to say we're done. We continue to take a very,
very close and, at times a pretty ruthless view on the cost equation.
Under the umbrella of the Coca-Cola company we have a lot of businesses. As you know, we've got finished goods businesses. We've got our concentrate business. Today, we got our bottling businesses. And, understanding the levers that are available to us in each one of those at a micro level to over time be comfortable that we're driving the efficiency that we need to, is super important. And it's a big topic for us to have on an ongoing basis.

Stephen Powers:
I guess, a lot of the conversation this week has been around slowing consumer demand, or the prospects of slowing consumer demand in a general sense, talked about your momentum. What's your outlook on the consumer demand? And, do you think you can continue to generate? Can the system persevere through slowing consumer macro climate and still deliver on the top line results? And, if it can't, is the inclination to take a long term view and continue to invest through that? Or to flex more on cost preservation and margin to preserve the algo on the bottom line?

John Murphy:
Just as a backdrop to that, I'll reinforce a couple of the comments I already made. When you look at our industry for the last 30 to 40 years, it's demonstrated with one or two exception years when the world went really bonkers. I think it's a very consistent performer when it comes to what's going to happen over the next 6, 12, 18 months. Nobody really has that, the famous crystal ball to say for sure. And, I think our approach is to be ready for different futures to come at us. If I go back to what I just said, having been comfortable what you're doing with your portfolio, being confident in the ability to have nimbleness in the RGM front, and been staying very close with our partners, our customers, our suppliers, our bottlers. I feel that the underlying momentum that has been generated over the last few years has got plenty of room to continue.

Stephen Powers:
Shifting gears, when you came in as CFO, I think it was clear that one area where investors wanted Coke to improve was in free cashflow conversion. The consistency of free cashflow generation and conversion. And you did improve, averaging basically a hundred percent or a hundred percent plus free cashflow conversion, 19 to 21. Things slipped to 90% or a little bit below last year, and they're expected to drop closer to 80% this year. Now, there's some several discrete items in there, which you, I'm sure you will

Stephen Powers:
Remind us of, but as you look forward, what's the confidence that you can build back that free cashflow conversion to where it was prior to this little setback?

John Murphy:
So yeah, it's a topic we've discussed and there's a few component parts that are important I think to keep top of mind. One is just that underlying momentum, the underlying performance of the business is the key driver over time. And if you exclude those discrete items, even this year, our guidance that we gave is I think, pretty strong. For sure this year, next year and into '25, we've got the transition tax years to see out, and over that period we've got a couple of increments to take care of. Once you get past '25 that goes away. And so that's important to keep that into account.
Stephen Powers:
Can I throw some numbers at you?

John Murphy:
Certainly.

Stephen Powers:
Is it like 300-ish? 200, 300?

John Murphy:
Yes.

Stephen Powers:
Kind of a step-up for the next couple of years?

John Murphy:
Correct.

Stephen Powers:
And then in '26 it's essentially, I think it's a billion.

John Murphy:
Yes.

Stephen Powers:
You know if it comes back to you.

John Murphy:
Correct.

Stephen Powers:
Okay.

John Murphy:
Yeah.

Stephen Powers:
I think those numbers are important.

John Murphy:
They are. Thank you. And then as we outlined from an accounting perspective, we've got a couple of M&A related topics that need to go through our cash from operations line this year and into next year. But I would just again harp back to the underlying momentum, the underlying performance of the
business is within range when you take out those items after. The nett with all is you can calculate, but I think we'll continue to expect that underlying momentum to be there.

And then on the other two items that are important for us to keep in mind, our level of capital expenditure going forward and our progress on working capital. On the latter, we have made some decisions on inventory over the last year or so, given the whole supply chain world that we've been dealing with, we felt were the right things to do. I still want to come back to those areas over the next 12 to 24 months. And on capital expenditure, a lot is contingent upon the businesses that are in the portfolio. As I've talked in the past, we have a plan to continue to refranchise and that plan is underway and we'll see that having I think, I would've said, not a positive impact, a downward-

Stephen Powers:
Yeah, downward.

John Murphy:
... trend on capital.

Stephen Powers:
Reduce the capital intensity of the overall business. Yeah.

John Murphy:
Yeah.

Stephen Powers:
Okay. A few minutes left. We've spent most time talking about your role as CFO, but since a year ago, you've taken on more responsibility. Right? You're now leading Platform Services, you're now leading Global Ventures and BIG.

John Murphy:
Yes.

Stephen Powers:
I think some other things too. So I guess as you've taken on that added responsibility and larger leadership over those organizations, what's surprised you most? Where do you see opportunity you didn't appreciate before?

John Murphy:
So some of it has been making formal some, what-

Stephen Powers:
What are you doing?

John Murphy:
What was more informal, so some of it's not surprising. I think the bigger change is when you actually are responsible, then your level of attention goes up pretty dramatically. And in a couple of areas I think
there's both a lot of opportunity to get even more granular. So I take an organization like Platform Services. It's something I believe passionately, and I think it can be a competitive advantage for a company when done and when humming, but it's not humming yet. And so having the opportunity to work closely with the team who are leading that and helping to, at times to either unlock opportunity or to unblock barriers, whether they're culture or otherwise, has been something that's been more on my radar screen in the last 12 months than it had been.

The digital agenda that we've talked a lot about is one that I really believe needs that end-to-end view. And so I'm fortunate in my role to be able to get, I think the right people around the table to drive one agenda. It's very easy for everybody's pet project to feel as if it's the most important and to enable an enterprise view on where we should be prioritizing, I think is helping the organization.

Stephen Powers:
Does that extend outside the legal boundaries of the Coca-Cola Company and into the system itself?

John Murphy:
Yes. The short answer is yes. There's no playbook out there on the how. And so having the opportunity, I guess to create that playbook is pretty exciting, that I really see it as a massive enabler for our system to be more efficient. And when I talk to our bottling partners, they do likewise. I think it's what we want to do is much easier than how we go about doing it. But I think there's the right mindset and great collaboration and willingness to look at things differently.

Stephen Powers:
Okay, great. We're almost out of time, so I will leave you with the final word. And just of the things we've talked about today or things we haven't talked about today, what do you think the key messages are for investors to take away the remainder of this year and looking long term?

John Murphy:
I think the environment that we're operating is going to continue to be very choppy for different reasons. And therefore, for us having more energy on what we can do to operate effectively in whatever that environment means is super important. And hence, the idea of an all-weather strategy that we can adapt and pivot with to stay relevant and to continue to create value regardless of what comes at us, I think is number one. Number two, I think we've made a lot of great progress in the last three to four years on having a fit for purpose portfolio. We're fortunate in that, within that portfolio, we have a range of positions from leadership to exploration, and the cumulative effect of that I think is very positive for our business as we go forward. The third point I would leave people with is, I've been in this business for a long, long time. I don't remember a more powerful set of partners in when I think about our bottling partners around the world, working as cohesively together. Not always easy, but cohesively and effectively. And I think that's making a huge difference. And then culturally, I think we're a different company in the way that we have an enterprise view on what's really important, and yet allowing people to go off and do what's really necessary in their local or functional areas of responsibility.

Stephen Powers:
Perfect timing.
John Murphy:
Perfect timing.

Stephen Powers:
Thank you, John.

John Murphy:
Thanks for having us.

Stephen Powers:
Thank you all for being here.

John Murphy:
Thank you.