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The Coca-Cola Co. (KO)

Barclays Global Consumer Staples Conference

CORPORATE PARTICIPANTS

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

OTHER PARTICIPANTS

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Okay. So next up, we have The Coca-Cola Company. Over the last four years, Coke has come a long way in its transformation, pivoting its portfolio focused to better align with shifting consumer trends and reshaping its organizational structure and bottling system to facilitate a faster pace of change. Portfolio diversification through the Beverages for Life strategy and the infinitely important change to an incidence-based pricing model is already yielding much stronger revenue growth, and we think it's just in its early days. Of course, the next step of the journey is to translate this into earnings growth and healthier cash flow.

We're excited to have Chief Operating Officer, Brian Smith; and Chief Financial Officer, John Murphy, here on stage with us. So, thank you both for being here.

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.

Thank you.

QUESTION AND ANSWER SECTION

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Our talk show shall begin. So Brian, you've been COO for a little bit, I think it's less than a year now. Can you just share a little bit about some of the key priorities for you in this new role? How are your responsibilities different from those of James and maybe key learnings since you've gotten started?

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.
A

So to put it in context, as you know, one of the important things is to really drive our base business for sustainable growth to be able to generate the cash flows for us to be a total beverage company. So a lot of the work that I'm doing revolves around execution of the plans that we have, whether that's on the company side with respect to the way that we allocate and spend our resources on brands, with our bottlers or execution in the marketplace. That goes everything from revenue growth management, to route to market, and so on and so forth. So a lot of my time is spent to make sure that we operationalize that in all of the markets around the world.

And probably, the way I would describe that in terms of how I work with John and with James is we all have – we all spend a lot of time together, the three of us and other members of the executive leadership team to make sure that we're all focused on the same things. James probably, in that sense, is more forward-looking than I would be much more and I'm much more based in terms of the day-to-day and the quarter-to-quarter execution, and I do that a lot with John as well.

I mean, in terms of the way that we go about setting the performance reviews with the field, but a lot of it is really based in terms of driving the execution on a quarter-to-quarter basis to be able to drive the revenues. And so the easiest way to describe that is James is more forward-thinking and I'm much more executing on a month-on-month basis.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Okay. And what have been some of the key learnings in taking this more holistic global approach than where you were sitting just...

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.
A

Well, a lot of it is taking things like revenue growth management and taking them across the world. So to be able to – we've done them in different parts of the world at different times, but now, we're being much more disciplined in the way that we're applying them across all regions. And very systematic with our bottlers to ensure that we're not only doing revenue growth management, but we're following up then with route to market work. And then the way that we're going to manage and – the performance to ensure that we're actually making it happen.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Okay. So, John, you've been very clear that your priorities since you took on the CFO role, so essentially top line growth, improving margins and cash flow conversion. Can you just talk a little bit about how you're working with

Brian to ensure that his focus areas, the execution that he's talking about kind of drives improvement across what you've said as your priorities? And what are the metrics that you're looking to gauge progress?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Sure. So a couple of headline comments. First of all, I think it's really important to socialize down into an organization, the size of our organization globally, the key messaging. And I think it's very easy to underestimate the number of times you need to do it to the same people sometimes and how consistently you need to maintain the message. So we're working very, very closely on, if anything, over-communicating these priorities.

The second thing then I think is really important then is to embed them into our performance management routines. Like, there's an old expression says, people respect what you inspect and it's true. It's very true. So that's something that I think where we've made a lot of progress on.

And then I think the third area for me specifically, and as I run the finance organization, is to make sure that we upscale and we have the capability in place to support this broader agenda. So, an example would be the area of margin expansion. It's easy to talk the theory of margin expansion. It's another thing to have a few hundred people around the world practicing it in a way that delivers on a sustained basis the results. So, providing people with the tools, with the skills to be able to meaningfully make a difference is a critical part of it.

With respect to the metrics, again, it's embedded into the routines we have. We have moved from being a volume-centric organization to value-centric. Underneath that then, it's about quality. It's the quality of the top line growth. And within that, we are very focused on understanding the rate at which we're innovating successfully, the degree to which revenue growth management is actually taking traction in our respective markets, how well we're executing with our bottling partners. And underpinning that then is quality marketing, and we have – for each of those four, a couple of key areas that we maintain a focus on to support the top line equation.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Okay. I think one of the things you mentioned, touched on accountability, right, they respect what you inspect. I like that – to use that myself. But that's where it gets to culture. And I think a lot of the narrative that's been a beast on the street is that the change in culture, particularly since James took over, and how that's really been this catalyst for growth.

Brian, could you break it down for us maybe a little bit more, kind of what are the things from a cultural perspective that you think have changed most? How are you kind of driving those changes from your seat? And we're not going to do innings. But like how far along are we? How far is it [indiscernible] (00:07:36) how socialized are these changes, or was it just the people that we all get to see are kind of acting and thinking in a new way?

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.

A

Yeah. So, the important thing I think is first James putting together a vision and a strategy for us in the last two or three years which kind of gives us the spectrum of where we're trying to go and being very clear about where the opportunities are, the spaces, the big revenue and profit opportunities within that. Just to show how much headroom we have in fact that we can go after.

I think another part of the culture is then to set a high bar, because we want to go and become a top-quartile growth company. And so, we're not going to do that by just incrementing our way into the future. And so, I think one of the big elements of it and John had a big part of doing this is saying how high is high. I mean, we have all this space. We have all these white spaces we can go after. What are we going to set for ourselves as a target? And we've set a high target from the top. And what we've done then is in the business planning process is push that down in terms of what needs to happen at a group level which then gets pushed down into the business units.

And so people really have a high target to go after and that's changing the thinking about how people are seeing the business with the bottlers. I mean, how do we go from where we are to something that's much higher than we've done in the past. And I think that gives people first the credibility that it can be done. And then the challenge that that's what we're after and then making sure that when they come back to it, they have the resources to be able to do that.

And then we empower them. I mean, the whole idea of our culture is to flatten the organization for it to be much less hierarchical than we've been in the past, both in The Coca-Cola Company and in our bottlers and to be able to work in a much more aligned fashion with our bottlers as if we were one virtual company.

Now, that's easy to say, and your question is how far are we along the journey. I think all of us at the top are convinced that that's the way to go. We're convinced with our bottlers as well, because we see that when we have a strong alignment with our bottlers, we go a lot faster and we can go a lot higher. And now, we're in the process of being able to make that percolate down into the organizations, both in the company's side and in the bottlers' side.

I think people have latched onto it. They believe it. We've communicated in a number of different meetings over the last six months, eight months, whatever. People want to do it. There's always this question of can we really go for it? Can we really take more risk? Are we really empowered? Do we really have the decision making to be able to do this? And we keep saying, yes, yes, yes, but it will take some time to change from what we were to inculcate that, to make people believe it.

And to a certain extent, too, within our organizations, there's always a part in the middle that moves slower than the rest, either – sometimes the top and the bottom. And it's a question of ensuring that we're putting – a big part of it is putting the best talent that we have in the key positions around the company that can run that play, not only in terms of meeting the results and achieving the targets that we've set, but inculcating that new culture that we want to instill.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Okay. I would think success breeds success. So, some of the revenue numbers that you've put up probably starts to help in that process, because there is a range of experiments around the world that are really interesting, like a lot of small things, but there are signs that people are willing to take risks.

When John and I were on the road recently at the end of July, probably the first question that he got in every meeting was sustainability of top line. So, I think it's fair to say, it's funny, a year ago would have been, you're out of your mind, can you actually grow CSDs, and now it was how long can CSDs keep growing mid-single digits? So, do you still think kind of 3% is the right type of number to think about for CSD growth or sparkling growth long-term or kind of mid-single digits the past 12 to 18 months, and if worse, it's going to slow to 3%, when and why does that happen?

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.

A

My perspective is that we have a lot of headroom, not only across the whole spectrum of categories and sparkling as well. And John had said, I mean, one of the things is we've shifted over the last, whatever, three, four years from volume to value to revenue growth. But a lot of that has to do with the way that our strategy is constructed. I mean, in other words, when we say we're a total beverage company, we're really going after the consumer. What we're essentially saying is we're going to go to where the consumer goes, because, ultimately, that's what we're about to be able to offer beverages that our consumers want.

And I think what happened or what has happened in different parts of the world in sparkling is when we were pushing volume to be able to drive volume, we weren't necessarily looking at whether consumers want it. We continued to push bigger, more and so on, whereas a lot of our consumers in sparkling wanted maybe smaller packages, less sugar in the drinks, different kinds of taste profiles, different kinds of innovations, which we were innovating, but maybe more outside of sparkling than we were in sparkling.

And now, what we've found is that by shifting that strategy, we're innovating a lot in sparkling itself, not only with respect to what we can have, whether it's Coke with Coffee (sic) [Coke Plus Coffee] (00:13:50) or Coke Energy or Orange Vanilla, but also in terms of our packages. And by doing that, what seems strange but is working is that we can downsize the packages. We can charge more for them. We can offer the premium segments, if you will, of consumers more convenience and more premiumness, which they're willing to pay for.

And at the same time, we can offer more value packs at the bottom of the pyramid, especially in emerging and developing countries where it has to be affordable to be able to drive the per capitas. And so, I mean, what I think is really important is that we don't think of just innovation within other categories, but we look at it from the perspective of spark.

And then if you look at it from that perspective and you say people still want to continue to drink sparkling, we'll find our way, and it's going to be different in different marketplaces. In more developed countries, it's going to be more around premiumization and packaging and convenience and so on and so forth. And in other markets, it's going to be more towards driving per capitas.

And if you look at it from that perspective, the sustainability of the revenue, if you will, into the long-term is very positive, especially when you consider that we're just beginning to put in place in a lot of places revenue growth management and everything that goes along with that could be able to drive and understand and optimize package portfolio and offerings across France and so on and so forth going forward. And that's going to play out over a number of years for us to be able to continue to drive both revenues and profitability.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Can you – because you mentioned revenue growth management, I think a lot of people hear revenue growth management and frankly just think price pack architecture. So, can you just in a few sentences kind of help enlighten everyone on what revenue growth management is beyond price pack architecture?

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.

A

So, yes. It's the ability to look at the total market, all of the offerings that are there, both ours and our competitors, and look at what consumers want, and to be able to then – with a lot of information, a lot of data, be able to figure out where the big opportunity areas are for us. In terms of either taking price up because certain packages or certain brands or whatever, a combination of those two are not that elastic so we can actually take prices up and/or shift the mix in such a way that, as I was saying before, for instance, and when you're in certain markets, you want to be able to continue to drive volume base but you want to potentially premiumize at the top. And it gives you the answers to all those to figure out the best way to optimize your brand package portfolio across channels.

Now, that's a lot of information and it can be super complicated. And so, once you have that, you need to figure out within that how to sequence the things that you're going to go after, based on what your system capability is, because you can't necessarily do everything at once, but if you do that in an organized, disciplined fashion, then you begin to grab those opportunities and to drive your revenues and your profits.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Where do you think you stand on revenue growth management 2.0 by region, sort of what's the most advanced, where is the most opportunity and where does the U.S. sit on that continuum?

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.
A

So, if you look at the history, revenue growth management for us at Coke started, if you would, version 1.0 in Latin America. So they've been doing that for the last 20 years or so. The big resurgence, if you will, of 2.0 happened more in Eastern Europe and Hellenic territories. And so they have two or three or four years that they've been working on that. And in Western Europe and EMEA, too, over the last couple of years. Now, it's shifting a lot over to Asia Pacific.

North America has always done very sophisticated work in revenue growth management. And so the data, the information, the knowledge, it's all there. And one of the things that we're going through now is as we've re-franchised the bottling organization is to be able to upscale our ability to drive those findings in revenue growth management to take advantage of them.

And so, again, you can't just do revenue growth management and have the information. You need them to be able to set up your sales and distribution and route to market network to be able to capitalize on those opportunities.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Okay. I'm going to switch gears little bit and talk about margins which, John, you did, you mentioned a little bit earlier. So with the resurgence in sparkling, there's probably a little bit less near-term concern from investors about portfolio diversification and the impact on profitability. But we all know it's been a topic. So, how do you think about the impact of mix on total company margin structure? Is there even a lot to think about it – about, or is this like a investor-concocted concern? Yes, so we'll start there.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.
A

Okay. No, I don't think it's a concocted concern at all, but I do think it's a dynamic and actively managed process. I think it's – we have a lot of levers at our disposal to ultimately deliver I think what investors are looking for, and that is consistent margin expansion in line with our long-term growth model. I can get into whatever level of detail one wants when – to talk about those levers. And I think there are opportunities for us as a company and indeed as a system. It's not just I think that we need to look at the company's margin, but there's opportunities for system margin as well to improve over time. And I think there are levers in the top line. When I decompose the top line into the four buckets I described earlier: innovation; revenue growth management; execution in the marketplace; underpinned by good marketing.

On a scale of 1 to 10, we're not 10 in any one of those four that I know – that I'm aware of, anywhere. And so, I think there's an ongoing opportunity to continue to move up that scale. Moving up the scale has a corresponding positive impact on margin, whether it's in Sparkling or whether it's in some of the newer categories.

Our cost of sales line in the company is a fairly – it's a fairly simple line, actually, but there's never a day that that will reach where it's perfect. And I think you can bring innovation into the way that you drive your approach to managing your cost of sales line. And then, underneath that, as you get from there down to the operating income line, we have demonstrated over the last three or four years I think that there was an opportunity to rebase the cost structure – the operating cost structure. I think we've done a decent job on that. Going forward, as the world evolves, as the business model continues to be fine-tuned, we'll continue to look at opportunities there.

And then, in the marketing investment space, the opportunities for companies with our scale and size to leverage that in an intelligent manner continue to be there. And we're extremely focused on making sure that we are moving the needle on how much are we spending on [ph] working DME (00:22:11) to support our brands in the marketplace versus how much goes into the research and the sort of non-working area and making sure we get that balance right. It's an active – as I say, an active area for progress.

So, when I think about the number of levers at our disposal in the core business, I think that intelligently done, the margin expansion that's built into our growth algorithm is very achievable, but it doesn't happen by just sitting around and admiring. It requires an organization to be very focused on it.

Lauren R. Lieberman Q
Analyst, Barclays Capital, Inc.

Okay. And just to clarify, you did say that there's opportunity to increase margins in sparkling itself, like the core, I guess...

John Murphy A
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

Absolutely.

Lauren R. Lieberman Q
Analyst, Barclays Capital, Inc.

Okay.

John Murphy A
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

Yeah. If you take some of the premiumization work that's been underway in a number of our markets, that has a direct impact. We talked [indiscernible] (00:23:16) together about China moving to the slim can and China with Coca-Cola allowed us to effectively have a 25% increase – price increase per transaction. And it has had a very positive impact on our operating income line, one of many examples.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Okay. Great. So, let's move beyond sparkling for a moment. So, Brian, what are just some of the biggest white spaces of opportunities in non-CSD categories as we look across the world? And as you think about diversification, how much of it you expect to be driven through internal innovation and scaling those innovations versus M&A?

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co.
A

So, there's white spaces everywhere. That's the good news. If you would have look in chart, the headroom we have across any market in terms of whether it's in sparkling and other categories, there's tones of headroom. So, it's more figuring out in each market how to prioritize those choices, and not to try to do everything at that same time, because if you try to do too much too quickly and you don't have the capability to do it, then you kind of drop stuff. And so, the idea is to use the base that we have in any given market to drive the cash flow to be able to do those other things. And it really depends by market. In some markets, the opportunity is in category X; and in another market, it's something else, just because of the size of categories or because of our position in the category or because of the lack of competition. And so, really, you have to look at it from that perspective.

Now, one of the big opportunities that we've identified in – hence the purchase of Costa Coffee is the whole coffee space, it's huge. And there's opportunities to go after it in different ways especially with what we bought in Costa because it has different platforms.

And again, depending on the market and depending on what's happening in any given market, and how the different platforms are being played by the local players or international players, is how we can then decide how to go in with the given platform, get traction and then to build the other platforms. And by platforms, I mean either retail or product to serve which is essentially the beans and coffee and the HORECA on-premise channel, which is what we're doing with Hellenic, to be able to capitalize on the opportunity in that channel, ready-to-drink, the Costa Express vending machine, and – what was the last one? There's one other one.

But, anyway, those five platforms are the way that we can go after that. And so, we see coffee as a huge opportunity. And the trick is just for us to figure out how to do that in the key markets that we want to go after. And so, we're prioritizing now those markets that make the most sense for us to be able to really lean into. And then, opportunistically, we'll take advantage of the other ones as they come up and as partners come to us, whether it's bottlers or other partners, potentially to be able to develop those platforms.

In terms of bolt-on M&A, there will continue to be opportunities. But I would say to you that with what we have now in terms of the brand platforms across any of the different categories, we have enough stuff that we can build and drive our growth going forward for a good amount of years. I think we'll take advantage of bolt-on things as they come forward, but it's not necessary for the plan and the objectives that we've set for ourselves.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Okay. Great. And John, just in terms of – if there should be M&A that was worth looking at, can you just talk a little bit about sort of financial criteria? There's been a [ph] President for Cookies (00:27:32) as well as more creative deal structures, in particular, most recently, the BODYARMOR is I think a good example, [indiscernible] (00:27:37) last night. So, what are some of the decision points behind a full acquisition or an equity stake and how you're working to that?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.
A

Yeah. Sometimes, it's situational, Lauren, to be honest. So, just sometimes, the way to get into an opportunity is to take a smaller position. So, sometimes, it's – that's the only option you have.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Yeah.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.
A

Like, you need to have a willing buyer and a willing seller to consummate the transaction. I think from a – the starting point really needs to be, does this add value to our Beverages for Life journey going forward, does it help – is it strategic, does it help to accelerate progress, and is it an opportunity that is scalable.

I think it's sometimes tempting to get into bolt-ons that meets a need in a particular market. I think for where – where we're looking at today is, you're looking at opportunities that go beyond the needs of one or two markets that are scalable and they've got room to create value as members of the broader ecosystem of Coca-Cola.

Yeah, I think we've got more opportunities on the map – on the white space map than we have capital to go after them. So, the best way to minimize or to focus is to raise the bar. And we've done that over the last six to nine months in – internally in raising the bar as to what's going to get airtime.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Yeah.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.
A

And so, just bringing a bit more discipline into making sure that the return rates on some of these opportunities are worth going after is really, really important.

And then, I think the third area that's critical is that, once you actually bring the new toy in that you learn how to use it properly. And putting a similar kind of rigor and discipline around activating the opportunity once it gets inside the system is something that we're especially focused on. And as Brian says, that's probably the area we're more focused on in the short-term because of the fact that we've brought in quite a lot of stuff over the last two or three years.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.
Q

Okay. John, you knew you couldn't be up here and not haven't asked about free cash flow. So, I guess, the biggest question out there, right, will be how do we go from 70% conversion, say, to 90%, 95% long-term. Sort of, when should we expect you to get there? We've done some work around working capital being a big opportunity. You've recaptured I think around $600 million year-to-date in payables.

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Yeah.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

So, could you elaborate maybe on some of the specific initiatives you're looking at to go after the further working capital opportunities there may be?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co.

A

Sure. First of all, I think the 90% target is achievable. It's – but it's going to take us a few years to get there. Right now, there's three building blocks that will, I think, give us the ability to move a long way towards there. One, as you mentioned, is on working capital. I think there was a – as I compare how we do today versus best-in-class, we have about $1.5 billion to $1.8 billion opportunity. In the second quarter call, we talked about the progress year-to-date. We delivered about $600 million year-to-date. So, I expect that to continue to be an opportunity over the next 6 to 12 months.

The second area that's important for us to move from where we have been to where we want to get to is, tapering off the one-time cash outlays that we've had. Over the last three or four years, that has been primarily due to the refranchising plan in North America particularly, and also in executing the productivity plan that you're very familiar with.

I see that tapering off. Those two elements, there's some cleaning up to be done over the rest of this year into the early part of – but I see that tapering off as we go into 2020.

And then, the third area that's going to be an opportunity, but maybe take a little bit longer is the area of capital expenditure. As you know, we brought back into our bottling investments portfolio, South Africa and the Philippines over the last 12 months or so. We think there were good decisions to make for what we want to achieve in those markets longer term. We still expect those markets to be refranchised in the future.

But for the next couple of years, the impact will be that we will not move our CapEx numbers down. It's currently at the $2.4 billion range. Optimal for me will be to get it down to between $1.5 billion, $1.7 billion over time, and that will free up a significant chunk of cash. But I don't see that happening for another two, three years, and happening in line with the plans that we will be continuing to explore on the refranchising front.

So, those three buckets alone will get us a significant distance on the journey over the next three years.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Okay, great. And there's one more question. I'll just sneak this one in. So, Brian, if you could give us just kind of sense of the current state of the consumer in kind of key markets around the world? And then, John, sort of related, can you just speak to the latest currency environment and are you still expecting a benign impact in 2020?

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co. A

Do you want me to start?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co. A

Well, I think everybody is probably pretty interested in the foreign exchange question. Yeah, as we said in the second quarter call, the spot rates at that time indicated a benign environment. The spot rates, as we all know, have moved a little bit. There's a few big ticket items on the agenda around the world in the next few weeks, and I expect them to continue to bounce around. So, we'll give more texture on our third quarter call as to what we see based on what happens in the next few weeks with Brexit, with trade and other big events that are – that the Fed has got, I'm sure, an announcement or two to make in the next few weeks. So, I think we'll absorb [indiscernible] (00:34:49) and be in a position end of the third quarter call to give a more detail of that.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc. Q

Okay. And is it fair to say that has more to do with just like movement in spot rates...

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co. A

Yes.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc. Q

...is not something from a hedging standpoint?

John Murphy
Chief Financial Officer & Executive Vice President, The Coca-Cola Co. A

Yes.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc. Q

Okay, perfect.

Brian John S. Smith
President & Chief Operating Officer, The Coca-Cola Co. A

So, from our perspective, in terms of going around the world and consumers and disposable income, if we were to start with the U.S., we see it as we're in a good place. We think, obviously, there are those things that are trade issues and so on and so forth. But so far so good, and we feel comfortable that the environment is good for what we're doing and what we're pushing in terms of our strategies.

If you go over to Asia Pacific, China, good; India, good. In general, obviously, there's the whole issues in Japan that have been there, they're systemic for a while. But, within that, we're doing a lot of work to be able to restructure our system to be able to do a lot that is on our shoulders in terms of fixing things to be able to drive our revenue in the future. So, we feel good about that. We feel that we're in a good space.

In Latin America, obviously, Argentina, with everything that's going on is something that we're going to have to deal with. It's a relatively small part of our overall business. Brazil is going well. It's on the uptrend. So, we're very happy about that. Mexico is – so far, consumer spending continues. And so, we feel good. We don't know exactly how it's going to play out in the politicals. But so far so good.

In EMEA, in general, very positive with respect to consumer spending and so on and so forth. In Europe, obviously, we have some countries like Nigeria and Uzbekistan and some areas that are more complicated because of devaluations or other macros. Pakistan has slowed down. But, in general, we can portfolio manage across that to be able to drive to our target. So – but I would say, cautiously optimistic in terms of a global view in terms of consumers and spending and what – spending on the kinds of products that we sell.

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Okay. Great. We're going to end there and go to breakout. So, please join me in thanking Coca-Cola, and also for the drinks this week. We just remember that part too.

Brian John S. Smith

President & Chief Operating Officer, The Coca-Cola Co.

Thank you.