Strategic Update Meeting, 24 January 2023

Robin Jansen: Good morning, ladies, and gentlemen here in this lovely building, the Muziekgebouw here in Amsterdam, actually very close to our head office, which is, let's say, a couple of 100 metres away from here.

For those of you who don't know me, I'm Robin Jansen, and I head the Investor Relations function at JDE Peet's. And on behalf of the entire team, I have the pleasure in warmly welcoming you to JDE Peet's Strategic Update Meeting. And I'll have to say, I'm very glad that after such a long time, we can finally convene again together here in Amsterdam and don't have to sit behind the screen and interact on the beautiful things that the coffee category can actually bring to us and to you and the entire world.

At the event today, we will provide you with an update on our achievements. We will talk about the progress we've made against our strategic roadmap. We will have a snapshot at full year '22. And we'll take a peek into the future and we're going to share a little bit about what we think 2023 might bring.

But before I do that, let me briefly direct your attention to this very interesting page with a lot of important information about non-IFRS measurements, as well as forward-looking statements. This slide will be in the decks that we will provide you with during the event. So I would kindly like to ask you to pay attention to this important information.

Now let's have a look at the agenda for today. After my introduction, Fabien will kick it off. And after Fabien; Fiona, our Chief Marketing Officer, will zoom into consumer trends, all the, let's say, potential we see and the attractiveness of the coffee category and how we are well positioned with our brands and our innovation capabilities to be a relevant leader in the industry.

After those two presentations, there's time for Q&A to ask questions you might have about Fabien's and Fiona's presentation. And after that, we will have a break to enjoy a good cup of coffee or tea. After the break, we come back here in the room, and then Laurent Sagarra, the VP Sustainability at JDE Peet's, will provide an update on all the progress we're making on our three sustainability pillars, as well as touch on the – all the ambitions we have for the coming years. And after his presentation, there is time to ask questions to Laurent about his presentation. And that's before we actually break for lunch.

Lunch will be in the same area where you could just enjoy a cup of coffee just before we started today. After lunch, Scott will be on stage. And Scott will give you an update on our capital allocation as well as on how we strengthened our capital structure. And then he will hand over to Fabien with a concluding presentation which will touch upon full year '22 and the outlook for 2023, amongst others.

Then we'll have a short break because you might want to digest a little bit of what has been provided during those two presentations. And after the short break, we will come back for a concluding Q&A that will be hosted by both Fabien and Scott.

I already briefed or I already touched on the – I briefly touched on the presentations. Just prior to each start of the presentation, we will email you the deck related to the presentation. And those presentations will also be posted simultaneously on the website.

With that, and without further ado, I wish you all a very engaging and insightful day. And I would like to invite Fabien to come on stage and kick off with the first presentation. Thank you.

Fabien Simon: Thank you, Robin. Good morning to all of you. And again, a very warm welcome to a full day at JDE Peet's. Last time we had such a conference, it was virtual, as Robin alluded to, and it was soon after we entered the public market. And back then, we talked about the attractiveness of the coffee and tea category, about the attractiveness of JDE Peet's. We touched on some of the challenges we were having, but as well, greatly talking about the possibilities. And we introduced our financial mid- to long-term ambition.

It's fair to say that, over the last two years, the world around us has been pretty turbulent. We have had a health crisis. We've had supply chain crisis, inflation crisis, energy crisis, and sometimes even a compounding effect in some geographies of all of these crises together. And our agenda over these last two-and-a-half years has been articulated around three things. One was to act as a leader and navigate best with quality all these external turbulences that the world have been confronted us all with.

The second thing was to fix some of the challenges where we felt we were not good enough, but, as well, exit that time by being a stronger company, being a more productive company, and being a more sustainable company.

And the third thing was to position the company into a different and more attractive growth trajectory, as we have been, I would say, shared but as well committed to two years ago during our last Capital Markets Day, was it around scaling up our capabilities on digital commerce or innovations or entering into new and very attractive growth pools. And you will see today we will touch on all of these topics.

And I have to say I'm very pride – proud, sorry, about what the team has been achieving over the last two-and-a-half years. I think we have been delivering very well on all these three topics. And I think where it positions us today is we are totally geared up now with strengths to enter and to be successful in the new waves of coffee. And I really trust that at the end of the day you will share the same level of confidence on our success, but as well on how it's going to position us to win in coffee, in the future, in future times.

I think we feel fortunate, we feel fortunate to be a focused, pure player at scale in a very attractive category. And one of the characteristic of defining an attractive category, it is resilience and relevance over time. Here what you have on the chart is 30 years of history. I mean the world has seen a couple of crises over these last 30 years. There have been some high/lows, very high, very lows, some periods of GDP decline, some periods of high inflation which are becoming recurring themes nowadays.

But there has been one constant during this time horizon, which is a rise of coffee. Whatever the economic cycle has been, coffee has always been on the rise not only being resilient but it kept its relevance over time as it continues to evolve and to reinvent itself.

The second thing that we feel grateful about is the generations of owners, and of leaders, before us, who over the last 250 years of history have been going through many crises but have enabled us to be where we are today, which is the world's largest pure player of coffee and tea company.

Today, we will talk only about coffee. But it's interesting to see on coffee today, globally, we are a strong number two player with about 10.5% market share globally. And in the places where we decided to operate, we are actually at 14% market share, almost to the size of the next eighth company after us combined. So we are really a very strong player in the coffee and tea space, and in coffee in particular.

You might recall this slide from two years ago, where we introduced our new growth and purpose-led strategy, which was articulated around three pillars. The first one was a relentless focus to attract consumers, with serving more cups, serving more premium cups, and serving cups in more geographies.

The second pillar of that strategy is to fuel and execute our growth with mastery, from farms to where consumers shop and where consumer consumes their coffee, without any compromises on quality.

And finally, the last pillar is really anchored in a strong belief we have that the only way to have a long-term ongoing, sustainable performance is where you don't operate at the expense of your ecosystem but within, and with your ecosystem. And we really want to foster that inclusive ecosystem.

Today, we will touch, I believe, almost on all of these topics. And of course, we'll be very happy to answer any questions if you feel there is one or two topics we have not really touched on.

I joined the first time in this company in 2014, up to the beginning of 2019, before returning mid 2020 as CEO. And it's interesting to look back over this time horizon how much the company moved and evolved. We started really from a European heritage, that's why Europe was representing about 75-77% of our revenues back then. But we have been really greatly developing over time. And now we are a global company.

Today, Europe is representing about 50% of our revenue, which means there is 50% of the revenue which is outside of Europe. Up to the point that, today, our biggest market is not anymore the Dutch market, like it was back then, but it's really today the US market, which is the largest coffee market in the world, and it is very important to ensure we have a very strong foothold there.

But what is interesting as well is: where we decide to go, we have the ability to win, we have the ability to challenge incumbents. If I look at the US, for example, we have an amazing brand asset with Peet’s that is growing double-digit. And where Peet’s decides to play, and I will come back much more in detail later on today, it wins. Today, Peet’s is the – in the US – is the winning premium brand. It is significantly outpacing either on K-cups, or on Roast & Ground, or on Beans, the other players.

As we talked about two years ago, we said emerging markets are very important for us to serve more cups in more places, where there is just a start of penetration of coffee, which will be a good reservoir of premiumisations going forward. We have been putting a lot of attention and a lot of effort in these geographies.

And I'm very pleased to report now, in the emerging markets where we play, we are winning market share. We have been gaining 81 points of market share over the last two years. We did win market share in 2021. We did win market share in 2022 in emerging markets.

Our assets have the ability to travel around the world and to be successful and challenge incumbents and to become a stronger leader going forward.

Through our various agenda or organic or inorganic over the years, not only we have been now participating in all the category of coffee from Single Serve, Beans, Instant and Roast & Ground, but very importantly, we have been positioning ourself to the most attractive parts of coffee. We are today over-indexed on the fastest-growing categories of coffee, which are Single Serve and which are Beans, which means that we will, going forward, attract a fast – a bigger part of the growth of the industry.

So let's look back now over the last two years. I think we've never heard that many times the word ‘resilience’ over the last two years. For us, resilience was the opposite of standing still. We had to fix a few things as I've alluded to at the introduction, but as well, we wanted to ensure we would come out stronger from these last two years of very turbulent times. Sometimes, crises can be an opportunity to become stronger, and it's where we wanted to position ourselves.

It required sometimes for us to be acting even beyond a player in coffee, but really to play as a leader in coffee. And you will see in a few charts in some area where we believe we have been leading.

Starting first with, as a leader, we have to invest behind our biggest asset, which is brands. I was clear, two years ago, when I shared some of our starting points I was really not happy by the way our share of voice has been developing. It was a shortcut to manage bottom line by investing less behind our brands. I committed to restore it. And I've said back then it will take us two years. We did it.

There in coffee, we are the leader on share of voice. We have a share of voice today, which is almost two times bigger than the one we had in mid-2020. We have, today, a share of voice which is bigger than the one we had even before COVID started. We have a share of voice ahead of our share of voice we had in 2019.

And the role of media has been changing a lot during this time, so have we. We have been disproportionately investing behind digital media, which represents today 40% of our media spend. And we see some of the results. You can see on the bottom right side of the chart here. If we look at the share of visibility of JDE Peet's’ products in online retailer stores, we come first. We have more than 30% of visibility, which is ahead of peers on these online platforms.

The other thing we had to course-correct was our commitment to Single Serve appliances. We can say, on one hand, one of the most attractive parts in coffee is Single Serve, and at the same time investing less behind it. We have been significantly scaling up our efforts and innovations and investments behind Single Serve appliances. I will even share later how much more investment we have been putting behind. And it is quite meaningful.

But it's interesting to look back on the appliances where we participate globally. First, in Europe. Senseo, up to today, is the largest park of Single-Serve coffee appliances used every single day by consumers. And I think Senseo will get even more important giving the macroeconomic cycle in which we are entering. Not only Senseo is the most sustainable single-serve system today existing in Europe, but it is as well for consumers the most affordable single-serve pads solution, meaningfully lower than the average of the Single-Serve category.

And there, we have been innovating. We have not been opening new geographies, I think, beside an anecdotal Nordics appliance launched a couple of years ago, we have not launched a new appliance, not entered a new market in Senseo for about ten years.

We have now a new appliance. You will have the opportunity to see it at the break, which we call Maestro, which, blind-tested, is giving the same in-cup test experience than an Espresso capsule. We have been opening three new geographies in Eastern Europe in 2022. We are very happy having Senseo and very grateful having Senseo in our portfolio.

The second Single-Serve appliance that often comes to mind to many people, globally, outside of the US, the biggest park that exists is the Espresso appliance. And on that one, despite a lot of competitive activities over the last few years, we built and we stayed firm on our market share to be the market leader in modern retail on aluminium capsules. We had at the peak, at the peak, about 44% market share. That was really at the peak. We stand firm above 40% market share despite a lot of activities that have been happening over the last few years.

And we had to do a lot of things for that, a lot of innovations; Fiona will talk about it. We have even launched – I could almost say relaunched – but it's a launch, our new appliance Espresso machine that, again, you will have the chance to see at the break here. But I will talk as well a lot more in the – during the course of today because it is really exceeding our expectations and we will do more of it.

Shifting gears to the US. By far, in the US, the largest Single-Serve park are the Keurig machines. And there, there is the one branded winner. Out of all of them, many people win, participate, win, but the fastest growing one is Peet’s. In the US, Peet’s on K-Cups is growing at about two times the growth of the category.

Finally, Tassimo, which was the first multi-beverage drink, which was introduced in Europe before any others. Again, we are taking care of our asset. We have been doing quite a lot of renovations, either there on the appliance side or on the SKUs we have been offering to consumers. So we have really been recommitting to appliances and we know that our participation now in the number of appliances which are sold globally, are gowing up and are very meaningful.

But doubling share of voice, recommitting, reinvesting behind appliances is not coming for free. I always say growth requires investment. But we are very cautious that we had to play our part to self-fund the vast majority of this type of investments. And for that, we have been boosting our cost agenda because we want that cost agenda to have the ability to lift our growth investments.

We had really two agendas there. One is around focus, simplifications. And another one is around efficiency and automations. I don't want to enter in all what's on this slide here, but we have been, for example, over the last two years, reduced our number of SKUs at a double-digit level. The things we have done. We have been reducing by more than 1,000 our employee base over the last two years, very meaningful numbers. We are talking about more than 5% of our global base.

And if we would talk – or if we exclude the areas which were untouchable such as field sales, such as digital commerce or innovations, we talk about a greater number than this 5%. So a very, very meaningful ambition, which enabled us to reinvest behind our growth. And it is an agenda - now we have been regaining our cost competitiveness - that we really, truly intend to protect.

And at the end, you would say: was it worth it all, this reinvestment? Does it work? Yes, it did. We are tracking the health of our brands every quarter now for two years. We looked at the progress on unaided awareness or considerations. So all the metrics behind brand salience. We go beyond leading indicators of market share. We go on lagging indicators, what drives it long-term. And what drives it, is the quality of your portfolio, the health of your brands. And here you have a metric that represents countries and brands. And you can see in eight out of 10 boxes here on metrics, our brands have strengthened. This would have not been the case without investments.

But let's not – I think we should give more credit to the team. It's not only a question of money, it is a question of quality of execution, how you talk to the consumer; Do you have innovations? Do you have relevant things to talk to the consumer? Things that Fiona will be covering. But we are very, very pleased with the quality of our portfolio, which is stronger than it has ever been if we look at these metrics.

And why it's important? At times of inflation, one of the most important indicators is do you have pricing power with your brands. By the way, we have been able to turn around the quality of our brands. We have been able to lead on pricing for the category. Here, we have been putting the last 18 months price increase we have been doing across key segments, isolating our pricing, isolating competitors pricing, isolating private label pricing.

A couple of things you can read here. The first thing is we took the lead by about a quarter, sometimes two quarters on pricing. But because this pricing were absolutely justified by cost inflations, everybody was going there. And you see, they're all converging. There is a bit of a lead time but they're all converging to the same level; we believe with some places where there are some catch-up to be done by some competitors, but we believe it is converging to the right level and to the same level.

We are talking about double-digit price increase. We’ll talk later when we talk about 2022. It could be seen big, percentagewise; but if you would translate that into a consumer impact, we believe it is pretty responsible and reasonable. We have to be very mindful and careful with averages, but if you would be a consumer that drinks 500 cups per year of JDE Peet's products with the inflation, the price increase we put through, the impact, full year, of this inflation represents €5. €5 for 500 cups increasing inflation. That is a price of just one cup you can get out of home today.

That's a belief that we have. That's why – and Fiona will talk about it – we think that even in this inflation cycle, in this difficult macroeconomic environment, in-home coffee will stay as strong as what it is today.

Another thing which could have been a nice temptation in difficult time will be to scale down ESG efforts, either to invest less or not progress on the agenda. We decided not to. We decided not to, first, because it is not in our belief, in our philosophy, on how you run a quality business for the long-term. But the second thing is we had no choice. We had no choice, and I had, two years ago, a very direct feedback from one investor in this room. I will not name but I have to thank for the directness of the feedback. And the feedback was: we love the category, we love your company. But the best way for me as portfolio manager to improve, to increase my ESG rating is just to sell my JDE Peet's shares. Well, a tough feedback to receive, I can tell you when you're entering in the job.

So we looked at it in detail. And actually it was true. We had not really put any attention so far on ESG rating. And not only we have been looking at one only, but we've looked really at all of the most meaningful ones because we realise they all look at different things. And over the last two years, we have been really moving from what we'll consider a laggard on ESG to a leader on ESG. And we have not compromised difficult times to not doing it. And I think we are pretty pleased with where we are today. We know it's a non-ending journey. We know the bar is rising every time on the rating, and we ambition to keep high.

So these two years were really around the turnaround, leadership. And they were all at the service of one thing. They're all at the service of growth and elevating our growth into a new trajectory.

If you remember, two years ago, when we had our first Capital Markets Day, we talked about opportunities which were unexploited for us. We talked about the largest coffee market in the world being the US. We talked about emerging markets and in particular about the fastest growing market probably for the next decade being China. We talked about the fastest growing channel, which was online e-commerce. And we talked about appliances.

I want to share now what we have been doing on all these four topics over the last two years, and where we are today.

Starting with the US, an absolute fundamental market for us, our number one market, which is important not only because it's the largest coffee market in the world, because it's a market with a lot of premiumisation opportunities, but as well the market where we have the asset to win with Peet's. And today, Peet's is getting greater and bigger. Peet's just crossed the $1 billion and €1 billion, we don't play with currency here, over the last two years. It has really reached the scale. It's increased significantly its household penetration by 20% over the last two years. And we are still very low. It's only at 6.7% at the end of December of 2022, with a lot of headroom. And where Peet's decides to go, Peet's wins. Peet's is outgrowing the other top three premium brands on Roast & Ground and Beans.

Peet's is growing at double the rate of the market on K-Cups. Both Peet's and L'OR have been climbing now to number three and number four positions on Amazon. And as you know, Amazon in the US market is about 25% of that category. It's a very meaningful channel to be powerful at.

Next one, the US [China]. US [China] has not been a difficult – an easy round over the last few years. But what's interesting is one of the few categories in China that remained boiling during this time is coffee. And we shared why China is very important for us. And why, although it's in an investment phase for us, we intend to do that. And we do that with having an agenda of penetration and premiumisation, and an agenda of omni channels.

So if we look at – on the in-home side in China, I'm very pleased that in 2022, we have been growing 20%, again, in-home in China. In China, there had been a change of landscape over the last couple of years with much more momentum growth from local players. We have been keeping the pace of the growth this – even participating on that with local players ahead of a lot of other international companies. We have been changing our innovation approach. We have been innovating more for China, by China, and the pace of China is a digital way for China. We have been as well introducing some of our great premium assets that resonate very well for Chinese consumer, which are L’OR and Moccona.

In away-from-home, with Peet’s, we have been accelerating. After five years, we've reached 13 stores. Over the last two years, we have crossed – well crossed 100 stores at 117 stores at the end of December 2022 without compromising on quality. We have just been rated the best quality coffee chain in China at the end of 2022 for quality of beverage, for quality of service, for quality of stores ahead of every other local, regional, or international player. We are at the beginning of the journey in China. And we know China will have opportunities to reach our top five markets over time.

The other one we talked about is online. If there is one thing that COVID has been accelerating it is really the trend on digital commerce. And we see a confluence sometime of geographic opportunities as well as channel opportunities. We have been doing a lot. We've really stepped up and scaled up on digital commerce. At the end of 2022, digital commerce represented 9.5% of total JDE Peet’s revenues, which is about two to three times bigger than what it was representing a couple of years ago.

And what you see as well is the interesting momentum we have on some of the most attractive markets at the same time, playing or charging this online performance. In China, 60% of our in-home business is online. In the US, more than 25% of our in-home coffee business is online. These two numbers are pretty competitive in the consumer good world. And definitely, digital commerce is a significant accretive growth, growing at a much higher level than the average of the company.

The other one is appliances. I talked briefly about appliances before. Here I want to zoom in a bit on our new crown asset called L’OR Barista, our proprietary espresso system, and you'll have a chance to see it outside. I think we had it in 2018. But to be honest, it was kind of left in a drawer where people were not much interested about it. We awakened a sleeping beauty.

Why do we think it's a sleeping beauty? It's not us saying it. It is the consumer. We have been very intentional over the last two years investing to understand more about it and what consumers were saying on our L’OR Barista machines.

Here, couple of data, external data. In the market where we focused first, which are big espresso markets in the world - France, Spain, Belgium - we are selling between 1.5 to 2 times more L’OR Barista machines than other competitors’ new fast-growing appliances in the space. But as well, you will see now we have to place machines to sell and keep our freedom on the capsule side. But on top, we have a return.

When we look at the throughput of JDE Peet’s capsules in the L’OR Barista system versus other systems, it is more than 30% higher. So it's really exceeding our expectations. We are very encouraged with these numbers, and we are rolling it out in a very disciplined way. We started at the end of 2021 to launch it in the Dutch market. And we see already a similar number on the sell out on machines that we have been seeing on the other market I presented before. And we've just been launching it in the UK and in Ireland at the end of 2022.

Then I would say when you have your organic growth in order, you can look back and resume inorganic agenda. And we've been doing that in two instances, on strategic partnership and on M&A.

We have been increasing partnerships in the coffee world with some of the most reputable coffee companies around the world. So we already had illy, where we have significantly expanded the number of markets over the last two years. But we have as well entered the partnership with Smucker’s in the US market on out-of-home or with Tim Hortons in Canada.

We have as well been very disciplined, unlocking opportunities in the super-premium space in Australia with a brand Campos. Again, you will have the opportunity outside later today to see this fantastic brand. And as well, on the Infusion Tea in France with Les 2 Marmottes, which, when we acquired it, was the number four infusion brand in the French market. Last read: it's already number two. So, we have fantastic assets that we can even turn to move to the next level.

So last two years were really around turnaround, leadership and becoming stronger, being a more productive company, being a more sustainable company, but as well positioning ourselves into a much higher growth territory, unlocking fuelling new growth upside.

Before I return later on Q&A or later in the day to talk about how all of that is translating even in numbers in 2022 or even beginning – since the beginning of our journey, I want now to hand over to Fiona, who will share some very exciting consumer trends but as well innovations of JDE Peet’s . Thank you.

Fiona Hughes: Thanks, Fabien, and welcome, everybody. Consumers today, we know, are facing increasing prices. We know it's kind of tough for consumers today. And as such, it's forcing them to evaluate and re-evaluate their buyer behaviour. Every day, they need to look at the choices that they are taking. You could say there is a new reality which has been defined by the consumer, and it's influenced through the lens of uncertainty.

Within that context, what we see is that the role of coffee, the resilience of coffee, is very clear and very evident, despite the disorder that we are seeing. And there's a core reason for this. Put simply, it's because of the role that coffee plays in consumers’ lives, it's really important to consumers.

Coffee does so much more than just wake us up in the morning. Coffee brings people together, coffee fuels conversation, it drives decision-making, and it inspires creativity. And in the words of Egberts Douwe himself, it adds to the pleasures of our everyday lives. And that is why we, at JDE Peet's, believe it's amazing what can happen over a cup of coffee.

And when we look at the coffee category in totality, it's very clear to see that the relevance and the opportunity of coffee is very evident. Why? It's big, it's growing, it's premiumising, and it's on trend. In terms of the size of the coffee category, it represents roughly €340 billion worldwide. But I think the size of the coffee category is best understood when we put it into context. It is the third most consumed beverage on the planet.

In terms of growth, we've seen growth in the coffee category. And importantly, we see sustained growth in the coffee category. We've seen growth in value. And we also see growth in consumption. And importantly, we also see that our emerging markets are growing at roughly twice the pace of our developed markets.

We saw – we'll see more cups, and we also see better cups. Premiumisation in coffee, it's real. Consumers have clearly demonstrated that they are prepared to pay more for what they perceive as an elevated experience. And the data supports that, whereby we see that within the higher perceived quality categories of Single-Serve and Beans, they are growing at twice the rate of the other parts of the market.

And finally, we know that coffee is on trend. This is the case because of the versatility of the drink. Coffee appeals to multiple need states and it appeals to multiple occasions. And it is drunk by just about everybody.

We also know that coffee is a very broad repertoire category. In terms of the repertoires that it covers, it covers a repertoire of channels, of formats, and of price points. When we look at the repertoire of channels, I said before €340 billion. This represents approximately 1.2 trillion cups of coffee per year. This is roughly 200 cup – cups of coffee per person on the planet.

When we look at the consumption of coffee, it is consumed both in-home as well as away-from-home. Indeed, 80% of the cups are consumed in-home. And we see a slightly inverse relationship with value, where we see that 75% of that value comes from the away-from-home channel. The away-from-home channel is important, because, through that, we can observe many of the trends that are occurring shifts in consumption patterns, and that can also inform our innovation agenda.

When we look at the repertoire of formats, there are many different ways to consume and enjoy coffee. Coffee comes in the form of Roast & Ground, in Instant, in Beans, as well as within the Single-Serve format as well. And we see growth across all of those formats. And as said before, with the accelerated growth within Single-Serve and Beans, we see that those formats start to take up a greater share of their overall place within the total coffee category.

And then finally, we see a repertoire of different price points as well. They're very broad, the price points that we see within coffee, whereby you can enter with a cup of Roast & Ground at roughly €0.06, all the way up to Single-Serve at around €0.35 a cup. This repertoire nature of the category is also commensurate with consumer buying behaviour, and that is that consumers tend to buy across different channels, formats, and price points.

There is a fair degree of promiscuity that exists within coffee, and consumers are on a relentless pursuit of finding something different and new at times, and that comes through with these different repertoires. We also know that coffee is consumed all over the world. The coffee is not consumed in the same way all over the world. There's no such thing as a global homogenous coffee consumer. We know that consumer interests, and hence taste preferences, do vary in different markets.

We know that hot beverages are very much a part of culture in many countries. And therefore, we see that the differences that occur within the different drinking profiles, and indeed taste preferences.

As we move forward, we feel very confident about the runway that exists for growth, growth both in volume and value within the coffee category. We estimate around a 4-5% long term growth trajectory within the category. And we see that coming from three distinct yet somewhat interdependent drivers. And these drivers are: more consumers, more cups, and more value.

When we look at more consumers, the opportunity to continue to drive penetration within coffee very definitely exists. You can see here the example of a highly penetrated coffee market at around 79% consumer penetration to a mid-level market such as South Africa, where we see 58% penetration, all the way to China, where we see just 16% penetration. So the opportunity to convert consumers to coffee, and thus realise incremental penetration, still very much exists within the coffee category.

We also see growth opportunities through more cups. What do I mean by more cups? To enhance the frequency of consumption, as well as to cover the occasions that exist within coffee. An example here, within Western Europe, where approximately 400 cups consumed per year per person, versus Asia, where just 40 cups are consumed per year per person. So there is significant headroom in existence in order to accelerate that frequency of consumption.

We also see opportunity in occasions. I already mentioned that coffee does much more than just wake us up in the morning. Coffee increasingly is consumed throughout the day. And indeed, many people navigate their day around their coffee consumption. And we see that coffee can be consumed in the morning, in the afternoon, and all the way into the evening occasion as well. And it can be consumed at home, on the go or away from home.

We also see the – another driver which is more value. And this is because consumers have clearly demonstrated their preparedness to trade up, to trade up within a category or to trade up by experiencing a new category. The example that you see here is our own example of Jacobs, where consumers can enjoy a cup of Jacobs Instant for roughly €0.07 a cup. And indeed they can also enjoy a cup of Jacobs specialty mixes at €0.36 a cup. These same consumers sometimes move out or complement their existing instant usage by trying Jacobs capsules at €0.36 a cup.

And then within capsules you also have the opportunity to trade up to more value with a sub range of Jacobs Barista for around €0.44 a cup. So we certainly see that there is clear runway and headroom for accelerated growth within the coffee category.

And one of the further reasons why we believe this is, is because of the history of this category. Over time, coffee has shown that it has very definitely come a long way.

If we go back just approximately 20 years, where coffee was dominated by a brown sea of sameness. If we fast forward to today, what we see is a vibrant world of inspiration, aspiration, and indeed possibilities as well.

Through this time, coffee has moved through a number of, what are now, quite well-known waves, as we call them. And through that journey, it's moved from a commodity to a cultural cornerstone. It began with the first wave, where consumers valued price and consumption, to the second wave where we saw the rise and rise of the modern coffee shop, to the third wave, where coffee became something of an art form. We saw the barista became the hero. And we saw small roasters focused on specialty coffees and origins of where that coffee came from.

And then we moved into the fourth wave, where we start to hit the cultural cornerstone, and where socio-economic impact and sustainability became more important than ever before.

Our ability to understand these waves, and indeed project into the future, is dependent upon our ability to understand the consumer, to understand consumer insights and the trends that exist. But right now, things are behaving just a little bit differently. There are a number of different impacts at play in the world today.

We know that disorder is fast becoming the new order. And what we're seeing as a consequence of that is that consumers are experiencing things a little bit differently. Their mindset can behave a little bit differently, as we enter into a new macroeconomic cycle, coupled with many of the societal disruptions that we are seeing. As a consequence, disruption is the new normal. And our consumers are experiencing heightened levels of fear and anxiety.

The fear and anxiety that our consumers feel, it's real. And when they feel that, they look for certain things. They look for what they know. They look for what they trust. They look for familiarity, and they look for the benefits of what they find in their local environment. They are also seeking for cognitive ease, to ensure that they can make their life as simple as possible.

In essence, what consumers are looking for, is to feel safe, to feel good, and to feel connected. And this then links to what does this mean for the coffee category, and what does this mean for our brands at JDE Peet's. For the coffee category, the essential nature and the resilience of coffee is what we start to see.

We know that coffee can play a role to help to manage stress and anxiety by helping to manage energy in its purest form. And we also know in these stressful times that consumers crave familiarity, trust, and localisation. And that positions our own brands, particularly our local or heritage brands, very well. Our local brands have long been a sign and symbol of home. And right now, home is a sign and symbol of safety, connectedness, and a safe harbour for consumers.

If we look a little bit more deeply at coffee now, I've already said that coffee plays a role to help manage energy. Coffee can play other roles as well. Coffee can be seen as a pleasurable treat, it can be seen as something that helps us relax and provide us with comfort. And we know that consumers are seeking for just small pleasures in their lives during times of stress. And you see on the chart here that the third thing that consumers are reaching out for during these times is a good cup of coffee. What you also see here is that coffee is indeed the first consumable that consumers are also reaching out for in order to find just a very small, pleasurable treat.

Again, just looking at coffee as a category in totality. This chart again reinforces the role that coffee plays in consumers lives. I've already said that consumers are needing to make choices every day. What we are seeing is that coffee is remaining in the basket. When consumers need to make trade-offs across the entire basket, the choices will be made. And coffee is still seen by greater than 50% of consumers as an essential within the basket.

So the consumers desire to trade-off against coffee is a lot less than some of the other staples within the basket. What you also see here is that coffee sits at a 25% area here in terms of a treat. And we know that consumers will reach out for a treat during this time as well. So coffee can play both roles very well within the basket choices that are made.

On the other side of the chart, if we deep-dive into beverages, specifically, what we see here is that behind milk, coffee is the one that remains in the basket within the beverage category. So again, reinforces the importance and the role that coffee is playing for our consumers, and where it sits in those choices that have been made.

What we're also witnessing in coffee at the moment is that consumers are not moving around too much at the moment. There's not a lot of trade-offs being made within the coffee category. Specifically, what you see here is a representation of the share of the different price indexes that exists within coffee from mainstream and mass to premium and super premium, and then forward to luxury, which sits at the greater than 200 index price point.

What you can see on the chart is that within our mature markets, we're not seeing a lot of trading differences occurring. We're seeing a very small movement towards mass and mainstream, but not a great deal of movement essentially is occurring. And then, within our emerging markets, again, not a great deal of shifting occurring either. Indeed, what we are seeing is just a very small increase in some of the higher price point indexes within the market. So we do believe that coffee will remain essential and resilient during these times.

And then comes the role of our brands, our portfolio of brands. We know that at JDE Peet's, we have some of the world's most globally iconic coffee brands. These brands play a role. They are important within our consumers lives. We cover the category landscape with these brands, offering affordability, accessibility, and availability through covering, in full, the category landscape. And we know that moving forward, we will be able to deploy a ubiquitous portfolio of price points to ensure that we're best placed to capture any trading up or trading down. We know that we will be able to deploy a unique portfolio of categories to capture any shifts in a consumption that may or may not occur. And then, we also have our iconic portfolio of brands which is versatile enough to meet the needs of consumers' desires for familiarity, for localness as well as for trust. So very proud of the brands that we have within our portfolio. And then, increasingly, as we move forward, we will also be able to bring to life our compelling ESG agenda to ensure that our brands are at the forefront of the role that coffee will play in social consciousness. And to that end, we will selectively bring to life, the purpose of our brands in line with our ESG agenda. The purpose of our brands will complement very well the agenda that we have around nutrition, packaging, as well as sourcing.

A few examples here. Purpose can be can be subtle, and Douwe Egberts as a brand is a great example of this. Douwe Egberts has always existed to bring people closer together and to create a strong sense of community. And what could be more important than that right now.

Some of the other brands that we have with Senseo. Senseo has always existed to enable consumers to make choices that matter for themselves. And as Fabien has alluded to, now with Senseo, consumers can make choices that matter for the planet as well. Jacobs will exist to stimulate prosperity. L'OR has always existed to unleash pleasure. And moving forward, we're partnering with the World Coffee Research to ensure that we play a role to protect that pleasure for generations to come through the protection of some of the rare Arabica species.

With Tassimo, Tassimo has always served everyone with happiness. And this is a brand that's earned its right to play within the space of DE&I.

And then finally with Peet's, Peet's as a brand has always been on a relentless pursuit or quest for better, and it will take the lead in our portfolio in the territory of sourcing with impact. We also know that our brands play a key role within our innovation agenda. And actually, innovation comes to life through our brands. Innovation is very important for our brands because it gives us the opportunity to ensure that our brands remain relevant, they remain modern, and they remain timely.

We utilise innovation for many reasons within JDE Peet's, and for many ways to drive our growth agenda as well. For example, we use innovation to strengthen our leadership, we use innovation to access new profit pools, to fuel our channel development, we know that consumers increasingly want to have an omni channel experience. And we can use innovation to ensure that we win where consumers are and where shoppers want to shop. We also use innovation to fuel our geographic expansion agenda. And then finally, to ensure that we have the right level of pricing power within the market, and particularly at the moment, that becomes very important.

At JDE Peet's, we have a strong track record of success, of innovation. And we have a strong track record of disruptive and proprietary technology. We have a portfolio of patents that we use to not only protect our current business but also to secure our future business as well. A few examples here, and Fabien already mentioned Senseo, we were the first to bring to the retail environment, a Single-Serve system within Western Europe.

With Tassimo, we were the first to bring an intelligent multi-drinks system with a barcode reader capability to Western Europe as well. With our L'OR brand, we were the first to bring the ubiquitous availability of aluminium capsules to the grocery market. And with our freeze-dried instant technology, we were first to bring creamer capability for an elevated experience for our consumers.

With our frozen liquid technology, we're the only ones with the frozen liquid technology which is able to offer rapid and hygienic dispensing within away-from-home environments. So we have – we do have a track record. And we utilise that track record to inform where we're going in the future as well. And we have been able to identify six key innovation platforms, which we innovate around in order to drive global scale, whilst also and always respecting local relevance.

These six innovation platforms are our compass for future innovation. And they are agnostic. They are – they cover all our brands, all of our categories, our regions, our countries. They also cover marketing, R&D, technology, as well is our grocery and our away-from-home business too.

So what do these platforms mean? Just as a couple of examples. When we look at exciting experiences, this is about being multisensorial, it's about the new and different, and it's about the surprise and novelty effect for our consumers. Health and wellbeing is an increasingly important territory within coffee and an increasing opportunity within coffee too. And this is where we will balance both mental and physical wellbeing.

When it comes to authenticity, this gives us an opportunity to be able to elevate the consumer experience by focusing quality improvements around freshness, around craftsmanship and connoisseurship. Mastery for everyone gives our ability to be able to offer our consumer an elevated competency level to ensure that they can enjoy more personalised experiences. At arm's reach is about being available, being where consumers and shoppers are whether that is indeed in a physical world or a virtual world.

And then finally, brewing a better future is very much our sustainability play. And this is where we are focused on ensuring that we are offering the right products, the right packs, the right propositions to create a better future.

A few examples where we have innovated against these platforms. So against exciting experiences, we have brought to China a new single-serve cold brew proposition which is in line with the consumer’s heightened desire for novelty. This is also another example of where we're able to work at pace, and have a level of agility to ensure again that we have the global scale together with ensuring local relevance.

Against authenticity, our L'OR brand really shines against this platform. You see a couple of examples here. One is the launch and the continued launches that we have within limited creations for our L'OR capsules, together with L'OR Artiste, which is a recent execution and launch around our instant and whole bean instant proposition. This is also an example of how we can ensure that our premium or super-premium brand is able to travel into all of the categories or formats that exist within coffee. And when it travels to the adjacent categories, it's able to do so at a more premium price point.

Another example here is where we are able to combine our health and wellbeing together with our brew a better future platform. Jacobs is the example where we've been focused on reducing fat, sugar and salt content. And this will enable us to ensure that we meet our 2025 nutritional agenda which forms part of our overall ESG agenda.

And then against our mastery for everyone, together with our brew a better future platform, we seize the Senseo brand. Again, Fabien talked a bit about the role of Senseo in terms of affordability and sustainability. Senseo still holds the largest park in Western Europe. And it really has been at the forefront of our sustainability agenda.

Senseo offers compostable pads, certified coffee, farmer projects. It offers appliances that have a greater propensity of recycled materials, as well as lower energy usage. So as I said earlier, this is a brand that really is able to ensure that consumers can make choices that matter for the planet. And it's a brand where conscious choices is permeating through everything that we are doing.

And then again on our mastery for everyone platform. Again, Fabien talked about the launch of L'OR Barista, the success of our L'OR Barista appliance as well.

We're very proud of the performance of L'OR Barista and another example of how our brands can travel into other categories and indeed own the space of appliances as well. And another example of the power of our L'OR brand, a brand where passion and inspiration meets imagination to really create a super-premium brand that has the power to captivate our audience.

So today, I'm not going to share with you our entire innovation pipeline, but I do want to share with you one new launch that is coming this year. So with our L'OR brand and our success within the Espresso part of the market, again mentioned already, our ability to hold that number one share position within Espresso capsules, we have successfully done that through focusing on being Born from Gold. As we move forward into this year, we will complement that with also being Born from Nature. So I trust that you will be as excited about that launch as we are. As I said, it will be launched this year, and it will complement our very strong performance within the espresso capsules part of the market and also the strength of our L'OR brand.

So in summary, I think at JDE Peet's, we have a clear sense of who we are and why we do what we do. Our vision, it’s clear and compelling. And as the champions of coffee democracy, we will continue to deploy our portfolio of brands, formats, categories, price points and geographies to ensure that no matter who you are, where you are, or how you drink it, we have a coffee for every cup. Thank you.

Robin Jansen: Thank you very much, Fiona and Fabien. So we've now had the first two presentations, and I can imagine you might have some questions you would like to raise to either Fabien or Fiona on their presentations. So we will start the Q&A session. And we would kindly like to ask you, if you would like to raise a question, you raise your hand. And then somebody will come with a microphone to you. And then if you could state your name and the company you represent, and then ask your question. Then we'll take your questions from there.

And with that, I would like to invite Fabien and Fiona to come on stage to host the Q&A session. Thank you.

Questions and Answers

Robin Jansen: There are questions here in the front, so somebody would come with the mic.

David Hayes (Société Générale): I will stand up as well. Hello. David Hayes from SocGen. So two questions for me. Just in terms of the higher pricing that you showed, particularly against the branded companies, where it's a fairer comparison, because obviously private label has a lower cost base. So it looks like you're consistently high. Is there a reason for that? Is that partly that you're financing the investments you'd be making through higher prices? Is it that you're more exposed to the spot price? Is there something that drives that delta across each of the different categories you showed?

And the second question on China. You showed the store rollout. I just wonder whether any of that have been slightly delayed by COVID, because that's all happened over the COVID disruption. So would that be even more if you didn't have the lockdowns and so forth? And have you got a number that you're aspiring to in terms of going from the 117 to X in so many years? Thank you.

Fabien Simon: Yeah. So I think on pricing, you had a couple of questions. One is kind of the competitiveness on pricing, did we put more or less percentage absolute. Here, I think what is a very fundamental and I have seen in some categories where there was sometimes even some suspicions do people put more pricing than what they had to. On coffee - and we have been very clear about it - our role is not to create value by speculating on coffee, putting more pricing than what is necessary related to the commodity side. It is a pass-through category and will behave both sides. And what we have been putting through is only related to the commodity inflation, nothing more, nothing less.

Then you have part of the portfolio where indeed you may be a bit more exposed than some other parts. If you are more in the Roast & Ground and Beans category, because you have, I would say, less packaging, added value compared to the Single-Serve proposition, the level of pricing we had to put through in this category is much greater than when we had to put through in Single-Serve or Instant, for example.

If you look at what's happening now, with the energy crises, it is most likely the part of the portfolio that uses more energy will have to carry more pricing like Instant for instance. And of course, there is always the point of departure is different from an absolute price point. But if I would have taken, for instance, Roast & Ground and Beans in euro per kilo, it could have been another matrix we could have presented. We see the exact same level of convergence, which is happening across the various players.

Second question was around the – around China. Yes, it has been more difficult to open stores during COVID. There is no doubt about it. But we decided to not slow down. We would have not opened more if there would have been no COVID there. But we could have decided to do much less because of course today, during COVID, just throughput per stores is almost 50% to where it would have been in normal times. But we decided not to do that because we look long-term.

We know and we – at the time we had no idea when the world in China would recover post COVID, when it will reopen. But we know when it reopens, we want to be ready. That's why we did not slowdown our opening. As a reminder, at the time of the IPO, we said by 2025 we will have 150 stores. Two years later, we are 120 almost. Now the agenda is how we double it. So we will, for sure, be much greater than what we have been originally presenting. And we will give regular updates on the pace at which we want to open.

We don't have the intent to open too much stores, because when you open too much stores, you're very quickly becoming too mass and we want to protect the premiumness, the very attractive segment that Peet's is carrying, which is a master of Roaster in the coffee world and we want to protect that with really being disciplined on the number of stores on the exclusivities thereafter, in the premiumisation of number of stores.

And when that is done, we can go in – even more aggressively on the omni-channel even with speed.

Robin Jansen: Celine?

Celine Pannuti (JP Morgan): Thank you. Celine Pannuti, JP Morgan. I have two questions. My first one is on the volume in the mass market in Europe, which we've seen as being quite under pressure as a category and I think as well for you.

So I wanted to know to which extent this is due to a step-up in consumption, a high base, and if we can quantify that? And how we as well look at that versus the – maybe the impact from higher pricing. So is it a bit less defensive than you thought, given the high level of prices?

And my second question is the comments that you made on premiumisation and value. So you seem to say that having a more value offering in Senseo, for instance, is quite important for Europe, but at the same time Peet's plays in the premium. So what – I mean is Peet's under pressure in – to be to premium now in the US if you could clarify that? Thank you.

Fabien Simon: Let me try to answer, and Fiona feel free to add things more from a consumer standpoint. Let me start with a second part. I think you see, of course, in the world, different trends and there is no – as Fiona says, no one-size-fits-all, average consumer. And we see all this price point agenda very fundamental depending if you're driving penetration, if you’re having premiumisation or depending on the consumer tention which are happening here and there.

But on your question on Peet’s, Peet’s has absolutely zero pressure points today on price points. I would – what the data suggest - I will take a bit of a shortcut on the way I will say it; today in the US, there are two winners that probably explain and illustrate your point. The two winners today in the US are private label and Peet’s. By winner, I mean the fastest growing. Well, of course, there are multiple winners, multiple growing ones, but the ones that go at a higher pace are both the value side with private label that is growing at a higher pace than before. And the second one is Peet’s.

And that's why playing on various price points is important. And in the US, we made the choice to play the premium side of the market, which means that we play smaller at least from the beginning, because when you enter a new market, you can go, mass scale because then you go for a lower price point. We decided to go premium and we have an absolute fantastic asset with Peet’s that is outperforming in every partition it plays and we're – now we are even globalising Peet’s by accelerating the presence in China. We have as well just announced at the end of last year a partnership with Americana in the Middle East.

We have opened last week or the week before, sorry for the date I forget exactly, I think two weeks ago, our first Peet’s store in Dubai. And we are expanding. We are planning to expand even further the footprint of Peet's because in the world of course for better, more convenience, better taste of coffee, Peet’s is really one of the heroic brands.

Your second question was around Europe and volumes. I cover that a bit more in detail when I talk about 2022 with very transparent data that is very rarely presented. And you will see. But as – I would say two things at this stage. One is, in Europe, we have been waving a very high COVID period which have been elevated in-home consumption and there have been a form of readjustment in 2022.

And at the same time for some players in particular, including ourselves, I will not hide behind the fact that we have been losing volume, we have been losing market share in Europe, I will even share how much we have been doing that. But for us, we see that as a very temporary event because it is one of the consequences of playing the leadership role in pricing. And as competitors are converging to the pricing that is totally justified by commodity inflation, we see a normalisation of market shares and I will come back to that later.

Robin Jansen: I see more hands. At the same time I don't know –

Robert Jan Vos (ABN AMRO): I have the mic. My name is Robert Jan Vos, ABN AMRO. I have two questions. I think one for Fiona, one for Fabien. The first question is on the L'OR Barista appliance. It's a success, as you have mentioned. What is the distinction between this appliance and let's say what the difference – the main difference between your appliance and the original machines? Is that price? Is that functionality? Or in other words, why is it a success in those markets?

And my second question, that was from your presentation, I think, Fiona, is the – what you said on market growth, 4-5% medium term growth, consumption, consumer, premiumisation. But this percentage is lower than what you've said on your organic sales growth target for the medium term of 3-5%. So what is the – can you remind me what the reason for that is? Is that maybe the high exposure still to Europe? Or is there another reason? Thank you.

Fiona Hughes: Why don't I take the Barista question and you take the other one.

Fabien Simon: Yes.

Fiona Hughes: If we start with your question on L'OR Barista, so what makes L'OR Barista an attractive proposition for the consumer? The L'OR Barista machine is able to brew espresso capsules, and it has the ability to offer what we call a double shot, double pleasure. So with the L'OR Barista machine, you can brew two cups at one time. And you have a level of versatility, which is advanced versus some other propositions. So you can actually brew with a small capsule, so the capsule that we know very well today; and you can also brew with a larger capsule, which gives you that level of versatility around the number of cups that you can brew, as well as the size of the drink that you can brew as well.

So that – that's really the key influences that we have on the L'OR Barista appliance. And of course, the power of the brand associated with the appliance as well.

Fabien Simon: And what I would say to complement is what we've learned in the history of coffee appliances around the world is that coffee appliances with the highest penetrations are the open system appliances, because consumers don't want to stack up multiple appliances on their kitchen counter. And when they have the beliefs, the perceptions, that the system can offer multiple brands, multiple choice, the ones that will favour, we've learned that with Senseo when it became open. We've learned that with Keurig when it became open. We learned that with an Espresso system when it became more open.

And your second question was around the algorithm. And you will see again I will talk about the outlook for 2023. We have been showing the long-term trend history of coffee, which was around 4-5%. I then presented 5% at one of my earlier stage by category, which was partially boosted at COVID, was the end of 2021. But all our agenda, as I was presented before, is really to position us the closest, if not higher, on the high side of our original growth rate of 3-5%.

Historically, we were not. Let's be very clear. If you look back at history, we were around the zero type of territories. And we have been moving our portfolio, our agenda, our investment, our innovations to ensure we will be more anchored towards this high side of growth rate in difficult time for pricing, because we should not underestimate having able to do, yes, elevated organic growth at a time of inflations come with pricing, but you need to ensure your brands can carry that and you don't pay – you don't have the negative effect on too much on the volume side on the long term. But it can be as well in, I would say, easier times when you have your innovation and your portfolio supporting growth and our intention is to elevate it. And it's all the reason of what we have been doing over the last two years. Why? Because we are clear that what drives value long-term is growth, is growth of quality.

Jeremy Fialko (HSBC): Hi. It's Jeremy Fialko, HSBC. I've just got one question, which is about your kind of online versus offline market share. So you've given the total, I think, which was 9.5%. You gave a bit of data for China and the US. So could you perhaps give us a bit more information about your kind of online versus offline shares in some of the other markets where you think you're sort of underweight, overweight and what you think you can do to close the gap if you are underweight? Thanks.

Fabien Simon: If I – if the question was – it was hard to hear. Your question was around market share online/offline, right? So market share, definitely offline, we all read the same data, although sometimes you have a subset, we have the full read. And I will come back as well on that later on.

And on the online, we feel much better on where we are now not only on the market share where we feel now we are competitive, and we don't see as being underrepresented there, but as well as the profitability side, because growing is always easy. Growing profitably, sometimes it's a bit more challenging, and we have had to do quite a lot to ensure that it was not dilutive anymore. And now we feel and on market share and on the profitability good with our omni channel approach.

Patrick Folan (Barclays): Hi. Patrick Folan from Barclays here. Just two questions. The first one, SKU, the reduction programme. Can you kind of elaborate on how much of Group sales the SKU reduction programme is representing? And have we seen the impact over the last six to nine months? And maybe how that could evolve over the next 6 to 12 months?

And then the second question is on the Senseo system in terms of what you've seen in terms of market share gains over the last six months considering the current macro pressure? Thanks.

Fabien Simon: Do you want me to start? Maybe I start with the latest one, which is on market share of Senseo. I think market share last six months, you have to be careful to not over read into it. I think we earlier did do that with a question from Celine. There'd been some disruptions in Western Europe, as we have been leading on pricing.

But I have to say, if I would take a longer term horizon, let's take a two to three years' time horizon, our market share of Senseo have been continuing to go up. So we've been very pleased with that. And mostly on the back of innovations and on the back of executions, which has been strengthening.

Your other question was around SKU, was it on innovation, was it on the rationalisation? I'm not sure. On the innovation part.

Fiona Hughes: Reduction.

Fabien Simon: On the reduction, sorry. Yes. So on the reduction side, so to be transparent, we had when we started the journey two years ago, we had almost 8,000 SKUs. And at the end of 2022, we are below 7,000. So it was very significant. We have seen – I think it represented less than 2% of our volume. But we know this agenda is not finished.

We have fixed ourselves a very aggressive target. And we give us two years for that. I think a very good piece is done now. But we feel we have other opportunities that we expect to be completed in 2023.

I think in the middle – yeah, Faham has been waiting for quite some time.

John Ennis (Goldman Sachs): John Ennis from Goldman. Just one question for me. Fabien, on slide 10, you showed the market growth up until 2021. So it excludes a lot of the 2022 volatility that we've seen. And if you look at where you're positioned, your market weighted growth is around 6%. But when we look at JDE Peet's performance, admittedly, since 2018, it looks like your growth has been closer to 2%. So can you help bridge that gap between the 2% and the 6%? The 2% might be wrong because we don't have the '16, '17 data, of course, but can you help bridge that gap between regional mix, channel mix, market share loss, just high level to help us square the 2 points? Thank you.

Fabien Simon: So I'll take a generic answer because that alone can be a bit of a complicated story. If I would exclude the part of 2022, which is short term, temporary period on market shares, and again, I will be transparent about that later on, we have been gaining market share during this time horizon. And we've seen it in emerging markets. We've seen it in the US. So the only piece which is missing is Europe. And again, I will be transparent on that one.

We do have, over the last, if I take seven, eight years, I think the growth of the category on coffee was about 4-4.2% if my memory is correct. So the 5% was a shorter time horizon with the boost 2020 and 2021 related to COVID. So it was more around the 4% but it doesn't change much I think your questions.

We had to evolve our portfolio during this time horizon to ensure, at geographic level, at channel level but as well at category level that we will be well positioned to capture it. We were not really five years ago. And over time, we are getting closer to it.

Where we do have some gaps is in our global presence. We've said, one of our agenda, beside penetrations, premiumisation is globalisation. We are global but we are not global enough, and that is capturing a small growth which is not today in our reach, but we want to progressively be there. That's why we have been intentional over the last two years.

So I think it was more of a transition period. But I think, we are entering now into the most attractive phase which is the one we have been very transparently at the time of the IPO and reconfirmed two years ago, we want to be to the 3-5%. When you think the last 10 years was 4, of course, there is period we want to be at a higher level, like we have been this year, and we'll talk as well on how we see 2023 happening.

I see. Go ahead. Sorry. You had a question for a long time.

Faham Baig (Credit Suisse): Brilliant. Faham Baig, Credit Suisse. Two questions for me, please. Number one on the share of voice. Your share of voice is now, I guess, higher than levels in 2018 and 2019, that you depicted. But if I look at your advertising and promotion spend since that period, it's down high single digits. So I'd love to understand how you've been able to improve the return on investment in that marketing area.

And then second question. In 2021, you also alluded to expanding in the ready-to-drink coffee subcategory. But I know it was excluding – excluded in most of your slides thus far.

One of your closest peers sees it as driving the agenda in emerging markets, particularly Asia, to grow the penetration of the category. Could we get an update where you are on ready-to-drink and the plans you have there? Thank you.

Fabien Simon: I can take the ready-to-drink. And maybe, Fiona can take the advertising and share of voice part.

On the ready-to-drink, I think I have not said two years ago that ready-to-drink was a priority for us. I think it's what I've said is ready-to-drink, it's a place which requires different capabilities. It requires beyond being a brand – branded players in coffee being roasters, it requires bottler-type of capabilities. And we don't have these capabilities.

Sometimes you have to be clear on what you are good at, what you're not good at. And the question is do you want to be – to become good at what you're not good at. Ready-to-drink, I don't think it's a place where we will deploy a lot of resources. But when we would go there, we would go there with partnerships. And we see there are places indeed where ready-to-drink is important. I’m thinking about Japan, I'm thinking about Southeast Asia, I'm thinking about US. But it's not really universal. And it is a very, very difficult place to be profitable.

For that, you need a lot of scale and a lot of capabilities. That's why it's not an accident if many players who go there are going with partnerships. And we have partnerships. If I take the Dutch market, we do have a partnership. And actually, we are the market leader on ready-to-drink on our brands in the Dutch market.

In the US market, we decided to partner with KDP. Because we tried to have our own system, our own cool chain, did not work out. We stopped it. And we decided to go with ready-to-drink. And now we do have a Peet’s ready-to-drink offer in the US market. And that's the way we will approach it.

Your second question was share of voice, advertising?

Fiona Hughes: Yeah. So the first question was around share of voice and the increase that we've been able to achieve in share of voice over time, and I think how do we evaluate that or how do we measure that as well.

I think share of voice is one metric around our advertising and promotion investments. It's a very important metric. And it's obviously the metric that gives us an ability to understand our competitive position. And as Fabien showed, we've significantly improved in that area. We've also improved in a number of other areas to focus on both the balance of effectiveness as well as efficiency within our advertising and promotion investments. So to be specific, we look at other input measures as well, such as what are the portfolio choices that we are making behind what do we want to invest, which brands, which categories, which countries.

We also look at sufficiency metrics to ensure that we have the right levels of investment behind our brands to ensure that we achieve the reach-impact and the cut-throughs that we require within specific countries. And then, of course, the effectiveness of our copy and our content is another key input metric to that as well.

So we've been able to improve over time, not just on the output metric almost of the share of voice, but as well as some of those other input metrics that I just mentioned.

And of course, the effectiveness of the copy and content is really key to ensure that the investments that we are putting behind our brands are in the best place to work as a consequence of having compelling copy content behind those brands.

Fabien Simon: We had specific questions –

Robin Jansen: Sorry, Fabien, Fiona, in view of time, I would like to suggest that you take two last questions.

Fabien Simon: Last question. I just want to complement the last question. You had the specific point around in absolutes is not the case. I don't want to enter too much into 2022 trading, we'll do that later today and we'll have an opportunity on 22nd February. But you will see in absolute euro, it is greater.

Warren – I see Warren and Jon, both having questions. Do we have the mic here as well? Yeah.

Jon Cox (Kepler Cheuvreux): Yeah, I've got a mic, so I'm going to quickly jump in there. Jon Cox with Kepler Cheuvreux. You didn't actually mention the percent A&P, my colleague asked you. I think you're about 6.7%. You've been trying to – a lot of stuff on investment there. Just wondering what your A&P was last year. I'm sure you'll give it to us maybe later. But I'm more interested in the cost savings. 1,000 people is quite a big number. Four factories about 10% of your factoring network. I wonder if you can just give us a bit more details on that.

And I guess a broader question is really, you had a 19% plus operating margin three years ago. You're probably going to be 400 basis points lower than that in 2022. How should we think about that rebuild of margin over the last couple of years? And was this effort we've already seen maybe in 2022, with the 1,000 staff and the four factories, etc., etc.? Is that part of that rebuild? And can you ever get back to that sort of margin over the next couple of years? Thank you.

Fabien Simon: So look, Jon, I think, again, without entering into the detail of 2022 here. I think your two questions had a common theme, which is around percentage. And what I want to remind and encourage people is when you are looking in coffee in detail, don't overly focus on percentages, because there is a lot of volatility on the input cost which doesn't mean you have volatility on the P&L in absolute.

The way we run the business is more in number of cups, in absolute gross profit per cup, in EBIT per cup, in absolute free cash flow, not in percentages. Percentages can vary widely. But it doesn't mean that if you have a higher percentage, you have a stronger business. So we have to be very, very mindful of that. But of course, you are comparing times where coffee price was very low, then as a consequence, the percentage were high.

We know, and I've said that six months ago, coffee price was higher than the cost of production, that it will normalise. Then, as a consequence, percentages will materialise, but it will not mean that the business is better or worse because of this percentage.

Warren Ackerman (Barclays): Yeah, hi. It's Warren Ackerman at BarCap. I guess, I'll stand up. So two questions. In terms of consumer behaviour, we're picking up that other companies that are talking about appliance sales being under pressure.

Are you seeing any evidence that – not necessarily coffee machines, but in other sectors, we've been picking up that consumers are really putting back on appliance sales? Are you seeing any evidence of that? We're seeing that Nestlé, for example, are moving to a kind of $100 new Nespresso machine. So there does seem to be arguably a little bit of price competition. Is there a risk later down the road that – you talk about innovation that we could start to see a bit of a price war in terms of the applied or the installed coffee base and coffee machines? What's your view on that?

And then second one is just on delistings. I know you might kind of touch on this later when you talk about the outlook. But you said that you've suffered because of your price leadership, and that there's a temporary impact on market share. Just wondering whether you can give any more colour on what you mean temporary impact. And are we seeing any evidence of relistings, just trying to understand when do you expect the volume impacts to trough in Europe and when are we going to see it in the data? Thank you.

Fabien Simon: I will start with the second not answering now, but I will answer later today in a very transparent way, and we will show the case, we prove the case why the delist is temporary, and you will see in a very transparent way.

On the first question on appliances, what we have seen is, for sure, during COVID, where home was a retreat, a significant acceleration well above past trend on appliance sales. So there is a period where we are comparing ourself to this inflated level. But it coincides at the same time for us at the moment where we recommitted to it. So on our side, actually, and I will be as well transparent a bit later, we are investing more behind appliances and for us being meaning investing more behind appliance being seeding more appliances.

And the L'OR Barista one is giving a very positive impact into that longer time horizon number of appliances. Of course, we have to be mindful, there is a danger on appliances to try to load the market with appliances with low price points, because when you do too much of that what is happening, it's becoming a gift or something that stays somewhere either for two weeks in your kitchen and that moves to your cellar very quickly. And we want to be very mindful of that. And we want to ensure that we are protecting the value that comes with it.

And at the same time, when we talk about inflation, there have been inflation on plastic, on components, on energy, that has an impact on the appliances. So we see a bit this as two dynamics, some price increases because of inflation, at the same time some more competition with some lower pricing. And we need to find, all the time, the right balance in between to avoid having what we call a dormant park, which is not the type of business model you want to be build.

[Break]

Robin Jansen: Welcome back, everybody. I hope you could enjoy a nice cup of tea or a nice cup of coffee during the break and had some conversations with the presenters. We will continue with our next presentation, which will be hosted by Laurent Sagarra, our VP Sustainability, and he will tell you all the ins and outs about the progress we've made on sustainability as well as the ambitions we have for the coming years.

And with that, Laurent, I would like to invite you to come to the stage. Thank you.

Laurent Sagarra: Good morning, everybody. Very happy to be here today to take you through actually our progress in 2022 but also to give you already some insights about 2023 and where we are heading in our sustainability journey.

So let's start. As mentioned by Fabien, I mean, coffee and tea are great categories to be, not only from a financial perspective but also from a non-financial perspective. And as you can see here, we start from a very favourable position. First of all, when you look at climate, I mean, you will see that coffee and tea actually have a much lower carbon footprint than many other beverage categories, which put us again in a favourable position. And we are working within JDE to actually take this carbon footprint to net-zero by 2050 and to eradicate all our emissions.

The other part is around the living of people. Coffee and tea is a great category in the sense that they create living for hundreds of millions of farmers and their family today around the world. They are spread across 70 countries in the intertropical area. And, at the end, both together, coffee and tea is a huge category which impacts – which generate more than 400 billion of revenue.

And finally, as was mentioned also by Fiona, it delivers two key consumer attributes. You've all enjoyed a cup of coffee a few minutes ago. I mean it brings positive energy, it brings relaxation, it allows us to unwind, and all that with zero calories, so in a healthy way, contributing to your healthy lifestyle. And at the end, it's an inclusive beverage in the sense that it's one of the most drink beverage in the planet but it’s also one of the most affordable ones, allowing all income levels to actually access tea and coffee.

So this is why, in JDE Peet’s, for more than 300 years, tea and coffee is who we are and what we do. And this is why, through Common Grounds, we are investing in our supply chain in our operation to ensure that we continue to enjoy coffee in the years to come. And this is why we are living our purpose today to ensure that we create a better future for the people, for the planet but also for JDE Peet’s.

So when we talk about creating a better future, for a lot of people, it's not always clear what we mean by that. And for us at JDE Peet’s, what is a better future? Well, first of all, it's a future where farmers are prosperous and prosperous in a way that is respectful of nature, not at the detriment of nature. It's a future where our rivers, our oceans are free from waste and pollution, a future where us, at JDE Peet’s, we use energy that is clean, and we ensure that the air you breathe remain clear also.

And finally, it's a future where community thrive, when people can be who they are and grow and develop. And, of course, for all of that to happen, I mean a greater future is a future where JDE Peet’s delivers sustainable growth, because without sustainable growth, all that won't be able to happen so that we can create value for our shareholders and for our stakeholders.

So how are we going to deliver on that? By living our purpose, and by leveraging the power of our brands. Our brands are the ambassadors of our journey, and they will allow us to deliver with every cup this great purpose. And we will do that, first of all, in a regenerative way. We will work on our greenhouse gas emission, we will promote circularity of our products. And above all, we will work on regenerative agriculture practices for our farmers. We will contribute to build this tea and coffee resilient industry.

We will do that in the way we do everything in JDE Peet's in an authentic way, meaning we will be transparent. We will walk the talk, and we will make sure that we deliver true change and impact because this is – when you think about sustainability, it's all about impact.

And finally, the last way is around inclusivity; How do we ensure that, as we progress in our journey, we embark with us the entire supply chain. We empower farmers, we engage to full value chain suppliers, our operations, our customers, to actually support the wellbeing and promote equal opportunities for all of us. So this is how we will approach the whole project.

So now, let me tell you about 2022. I mean, we have done a lot of progress this year. And I will take you through our three pillars.

So the first pillar is the responsible sourcing. You've heard in April, May this year, we announced that we will leapfrog to 100% responsibly sourced coffee. And actually, we did it. We delivered it. And we moved from 30% responsibly sourced coffee in JDE Peet's to actually 77% of responsibly sourced coffee. This is a huge step towards our 100% target.

And this had some other impacts. It forced – it makes us actually increase tremendously the amount of farmers we reached. Because where we make the difference is through the engagement we do with farmers. And last year, we actually reached nearly 0.25 million farmers.

And if you remember, we had this 0.5 million farmer target to reach by 2025, where actually we've exceeded this target this last year – at the end of last year. So we are actually now working with more than 0.5 million farmers in what we expect by 2025 is actually to reach around 1 million farmers.

The other part, of course, is the minimise footprint. In 2021, we committed to our SBTi targets. And actually this year we progressed on our roadmap.

First of all, on our Scope 1 and 2, which are the emission from our operations, you can see that we've decreased by 15% of our emissions. This is three times the target we had. And this was accelerated due also to the situation on energy costs and so on, so because we brought back some investment, and I will give you more detail afterwards.

And also what we started this year is our journey on Scope 3 emissions, which are the rest of the supply chain, where we delivered 1% decrease.

And finally, on connected people. We also launched in 2021, our roadmap. And I'm very pleased to announce that this year, we measured for the first time our pay equity gap in JDE Peet's and we actually landed below 1%. And this below 1% is actually considered as no gap, which is a fantastic performance that reflects all the efforts that have been done by our teams over the years. And in addition to that, also we joined last year, the UN Global Compact to actually accelerate our journey on human rights.

As mentioned by Fabien, this, of course, was reflected in our investor ratings on ESG. And you saw that we moved in a position today which is at parity or even in a leadership position versus our competition. And this was achieved by having a very structured approach to that, first of all, filling all the gaps. If you've been on our website in the past few months, you've seen that we launched our human rights policy, our climate strategy. We worked on animal welfare. So we fill all the gaps that we had in our strategy.

We've also expanded the scope of our approach. And we start, of course, delivering results. And this is why we've seen our results increasing and we expect further improvement also moving forward as we release our annual report in March this year.

So let's start by the first pillar, which is responsible sourcing. Responsible sourcing is our most challenging pillar, but also the one where there is the most opportunities because this is where we create a better livelihood for our farmers and where do we ensure our supply chain of – our supply of coffee and tea for the years to come.

So if I go through – in more detail through the achievement, as I said before, we're on our way to 100% responsibly sourced coffee, and we've reached 77% this year [2022]. And as I said, we're more than doubling actually our impact on farmers. And from an investment perspective, we are also on track with our investment with €150 million that we had planned for the next four years. And today, we are around 80% run rate at this stage on our responsible sourcing.

But you will tell me, 'How do you manage that, how do you achieve this huge leapfrog in one year?' Well, let me tell you about it. When you look at responsible sourcing, you have two ways to approach that. You have the traditional way that we've all used, I would say, in the past,- through certification.

And the way certification works, it's a compliance process. So farmers are being audited versus the coffee reference code. And if farmers pass the audit, they will get certified, they will pay their fee and they will be able to supply certified coffee. Of course, this approach was very innovative when it was launched more than 20 years ago. But it has its limits.

First of all, not all the farmers can access certification because it has a cost. But above all, the requirements for certification are getting stricter and stricter every year, meaning that the pool of farmers that can actually comply with the standard is getting smaller. And this is why in 2019, Peet's worked with Enveritas, an American NGO whose purpose is really to improve farmer livelihoods through industry engagement. They started this collaboration to actually drive this distinctive approach that we call address – assess, address, progress, which is a continuous improvement process. And this process allows us actually to reach the small farmers, the one that actually need support and which are excluded today from the certification approach. And this is what we've launched actually at JDE level last year to deliver this progress.

And let me get into a little bit more of detail to explain to you what it means. The first thing that we did is the assess stage, meaning that farmers are being assessed by Enveritas at no cost for them. And based on that, we get data about the issues at origin. It did give us full transparency of what are the challenges and the opportunities that we can solve.

And if you see the example here about Africa, on our African sourcing, we have about 200,000 farmers. And out of those 200,000 farmers, 15,000 farmers were actually approached and evaluated this year. Enveritas identified some gaps and opportunities. And we were requested to implement 45,000 farmer trainings and activities to actually bridge the gap.

And what we delivered this year actually, just for Africa, it wasn't 45,000. It was nearly 160,000 farmer reached. So actually we went beyond – above and beyond the request. And this is the assessing step. And of course, to answer the gap, what we do is that we implement programmes. And those programmes today, they are happening all over the world.

We have about 50 projects in JDE Peet’s running. And those programmes are addressing the issues identified by Enveritas.

And finally, the last step is the progress because it's nice to identify issues. It's nice to put a programme in place, but you have to – you have to ensure that you deliver impact. And this is what we do for the progress stage where Enveritas is actually checking our projects, ensuring that they are implemented at the scale that was required. And of course, also checking the impact. And when you put those three phases together, this is the assess, address, progress protocol that allows us to access actually the responsibly sourced status delivered by the global coffee platform.

And to show you in more detail actually what this progress step means, I would like to show you a small video about one of our initiatives in Tanzania.

[Video]

At JDE Peet’s, we're investing to secure a sustainable, long-term supply of coffee, protecting the future of farmers from a diversity of origins through our Common Grounds programme. The western region of Tanzania produces around 45% of the country's coffee. The challenges facing farmers here are low yields, mostly due to old coffee trees; inadequate technical assistance and lack of financial services that lead to low investments in inputs and renovation of farms.

Since 2019, we are partnering with Café Africa to rejuvenate the production of robusta coffee and improve the wellbeing of the farmers. To ensure the project can reach scale and achieve long-term impact, we also bring together local partners from the coffee cooperative unions: Tanzania Coffee Research Institution and the Tanzania Coffee Board. Three new coffee nurseries have been set up producing over 640,000 high-quality, disease-resistant coffee seedlings that have been distributed to farmers who needed to plant new trees.

Some of these seedlings were produced using cuttings, a technique that boosts the harvesting of coffee cherries to under 18 months, while regular seedlings produce the first harvest after 36 months. 458 Technical extension officers have been trained, who visit the farmers and advise on good agricultural practices and evaluate if the coffee tree should be removed or rejuvenated by a pruning technique called stumping.

After two years of stumping, the coffee tree plant can produce three times more than before, as the pruning releases new productive branches. The project has stumped more than 27,000 coffee plants so far. Together with Café Africa and local partners, we continue on our journey to revitalise the production of robusta coffee in western Tanzania and improve the livelihoods of farmers. The programme continues to extend more technical assistance to farmers, increase the renovation and rejuvenation of coffee farms, and further engage the youth into coffee.

Laurent Sagarra: So this project is just one example of how we make impact at origin. And as I mentioned before, we have about 50 projects today running in parallel, and actually, from March this year, when you will log on our website, you will be able to see all the detail of all those initiatives per country with the impact that they're having. So this is really how we make the difference today. We invest at origin to tackle the issues that we identified and remediate them in a sustainable way.

And as I said, here you saw the example of Tanzania. We have projects in Ethiopia also on rejuvenation, and we generally adapt the project to the needs – to the local needs of the population. Typically, if I look at Honduras, Honduras we focus more on the labour issues. This is why we started renovating and building schooling in Honduras to ensure that when workers come to work with the children, there is a school to leave the children during the day while they are picking coffee. And this is how we make impact at origin.

The other area where we are focusing, is on the long term of coffee, what is the future of coffee? And Fiona mentioned our collaboration with the World Coffee Research. Today, we are one of the largest funding partners of the World Coffee Research. And this organisation is actually developing the coffee varieties of the future. Coffees that will deliver more yield, coffee that will deliver more quality, coffee that will be resistant to climate change that will be resistant to pest so that the farmers have access to those more resilient coffee roots. Because, when you plant a coffee tree, it will stay in your farm for 20, 30 years. So you need to make sure that you put in place the right coffee plant because it's your asset for the future.

So of course, a lot of the challenges that we identify at the origin are not specific to JDE Peet’s’ supply chain. They are systemic challenges that the entire industry is facing. And that's why we're very happy to see that other companies actually do join us in our approach with Enveritas. And typically, recently Dunkin’ Donuts, Smucker, Tchibo in Germany, and Tim Hortons are some of the few large – some of the large companies that have joined the initiative to actually make more impact at origin.

But of course, we don't limit our work on coffee. We are progressing on tea. And one of the major challenge that we had on tea is – was our recent acquisition of Ofçay in Turkey. And we, actually this year, partnered with Rainforest Alliance to actually implement a programme similar to what we do with Enveritas to drive also the responsible sourcing journey with our coffee [tea] farmers. And this will allow us actually to reach our 100% responsibly sourced tea by 2025.

On palm oil, we announced last year that we had really 100% responsibly sourced palm oil, and we of course continue with this level of responsible sourcing. And this year we launched a new KPI on the responsible sourcing is around animal welfare. And we made public actually our commitment last year, and we are now progressing on our cage-free eggs journey. So you can see we’re only at 3% because it's the first year on it. And you might ask yourself, “Well, why do they use eggs?”

Well, today we have two entities in JDE Peet’s using eggs, in the sandwich that you eat at Peet's, but also in the noodles that we manufacture in OldTown business. And again, we were one of the first companies in Southeast Asia also to engage in these commitments against cage-free eggs. And we're very proud of the difference we're making there to ensure not only the wellbeing of people, but also ensuring that on the animal side, there is no abuse in the supply chain.

The second pillar of our Common Grounds programme is minimising footprint, which deals with our climate strategy. And also we our – with our activities to reduce waste and pollution on the planet.

So as I mentioned before, we've made significant progress in reducing our Scope 1 and 2 emissions, which are the ones under our control, with 15% reduction since 2020, so in two years, which is far above the 5% that we were targeted. And of course, we are also starting on our journey on Scope 3.

And how did we deliver all those changes? Well, first of all, at the manufacturing level, we make substantial investments to actually move to low carbon energy. So we invested in biomass burners for the spend coffee, but also in some other geography like in Turkey, we went for a more innovative approach, where actually we also have biomass burner which are using the hulls from the hazelnut industry.

We also improved our instant coffee process to be more energy efficient. And across operations, there is a “foultitude” of small initiatives to actually always drive efficiency, because, at the end, efficiency and sustainability works together, because it's all about not wasting resources, whether it's energy, packaging, or others.

We progress also on our procurement journey. I mean, we reached nearly more than 40% of renewable electricity purchased in JDE Peet’s. And all of Europe and Brazil are now on renewable electricity, and we are progressing with the other regions.

And finally, we've also initiated our programme with our vendors. Because at the end, the – our carbon ambition is a domino effect. We need to engage every step of the supply chain into this journey to be able to deliver our ambition. And so we had commitments from our largest suppliers also to move to SBTi, so then they can contribute with us to this full journey.

On logistic parts, we've also implemented a lot of change. And what is interesting with logistics? They were – the first part of our organisation, we had carbon accounting. And it means that for two years now the logistic team have been adamant to optimise the route to optimise the type of logistic transport they're using, between train and boat and road to deliver incredible improvements and reductions in their carbon emissions, but also in a financially positive way.

And finally, the two last points are quite critical on the responsible sourcing. We will release this year our deforestation policy, but we already acting on it on several aspects through programmes in Indonesia but also in Peru. And one other thing which is critical, we had the pre-competitive projects with USAID and USDA this year along with Nestlé and Lavazza, where we define the rules for the calculation of the carbon footprint for green coffee, because that was something that we didn't have in the industry properly defined. So we all work together, to come to consensus on a methodology so that we all measure it in the same way.

And of course, finally, the research and development team in JDE Peet’s has a huge role to play. They've been delivering already disruptive innovation on the sustainability side on Senseo, on our pad material this year. We transitioned our teabag in Pickwick to compostable material, and also the pouch of Senseo pads.

And we're also progressing on our nutritional journey because when you reduce sugar, you reduce carbon. So all those activity this year have contributed to the delivery of our ambition.

Of course to deliver on that, well, you need people. And this is why our people journey is so important because through the passion for tea and coffee of all our associates, we’re able to deliver this journey. And of course, if you want to take care of the planet, you need to take care of your people. And that's what we do for our connected people pillar.

And the focus last year was on two aspects that I would like to emphasise here. First of all, on human rights, and then on our diversity, equity, and inclusion journey. You've heard last year that we committed to our UN Global Compact. And following this commitment, we actually increased our engagement. We made public our human rights policy. And then we deploy our diligence programme. This means that through Sedex, we actually implemented in our plants but also with our suppliers, excluding tea and coffee, a whole programme to identify risks, to assess those risks and then to implement remediation activities.

And on the coffee and tea sourcing, of course, we did a similar approach - with our – on-the-ground-partners like Rainforest Alliance, Enveritas of Fairtrade - tools to identify and remediate our issue. So there was a lot of progress on this side made in 2022. And we will continue moving forward to remediate the issues identified.

And of course, the second part is our commitment to close the gender gap. And when we speak about gender gaps in JDE Peet’s, we look at two things, first of all, ensuring that we have – that our proportion of women in leadership position is at the same level as in the rest of our workforce.

And what you can see on the slide here is actually now we are at 41% women in leadership positions in JDE Peet’s versus 43% across all our employees. So we have nearly bridged this gap between the representation of women in leadership positions, which is a great progress. And as I said before, not only did we bridge the ratio, but we also ensured that this is done, ensuring that there's no gender pay gap. And this number of below 1% might not be very meaningful for you. But as I said before, it means no gap.

And if you compare it to the rest of the world, the gender pay gap in the US is around 17%. In Europe, it's 13%. And in the rest of the world, it's 23%. And in the new EU directive that is going to be addicted very soon, the target to implement action is when you are above 5%. So this result is something we are extremely proud of, because it also reflects all the work that has been done within JDE with our people team to actually close the gender gap over the past years. So that's a fantastic achievement for us.

And the last point, we did a lot of things in our supply chain, with our farmers, with our people. But we did that without compromising on the quality of our products and to ensure the satisfaction of our consumers. We've progressed on our nutrition strategy to ensure that we deliver healthy products every day. And now, 75% of our full portfolio is compliant with our guidelines. And we also did that ensuring that our products are safe, because this is critical when you sell food. And today, out of our 100-plus manufacturing sites internally and externally, 75% are already certified at the highest standard of food safety.

And as I said before, on the compromise on quality, we continue to deliver exceptional quality performance in the company. And this year, we actually reached the best performance ever, with below four complaints per million units sold, which is a fantastic performance for the Group.

So what's next? Well, today, our next challenge is to prepare for the net-zero future. So this is key for us to ensure that we continue our journey and that we have this positive impact on the planet and protect our farmers.

So in 2022, we committed to a 2 degree pathway. And following that, we defined the full roadmap in terms of investments, in terms of initiatives.

We embed those investments into a value creation plan. And we've developed – actually, it's being launched this month, our tool to actually measure our performance when it comes to carbon. And now in this current position, we are ready to commit to a 1.5 degree pathway that will take us to this net-zero future.

So how are we going to do that? Well, as I said, we have a clear roadmap. You can see here on the slide, our emissions Scope 1 and 2 and 3 and where we need to go by 2050. So first of all, on the Scope 1 and 2, we will continue to invest in our biomass burners. We continue to transition to cleaner energy. We will also complete our journey to 100% renewable electricity, and of course, we are also investigating new technologies, because we need to find solutions for roasting, for extraction using renewable sources of energy. So this is the next challenge where our R&D teams are working off.

We will also transition part of our fleet to electric vehicles, and all that will take our Scope 1 and 2 to this net-zero target. On Scope 3, as I mentioned before, our priority is farmers. We need to ensure that our sourcing of coffee is deforestation-free, because this is the first driver of carbon in green coffee. We need to drive agricultural practices that do not damage nature. And this is all the regenerative agriculture practices programme. We need to get more coffee actually from the same piece of land.

When you look at coffee farmers today, some coffee farmers generate 100 kilo of coffee per hectare. Some coffee farmer in Brazil generate 4,000 kilo of coffee per hectare. When you see the gap, you also see the opportunity to increase the revenue and the yield per hectare for the farmers at 100. And this will allow us to ensure a resilient and sustainable future without having to deforest improving the revenue of the farmers and also stabilizing the price of coffee by having better yield.

The other part also, which is fantastic when you work in tea and coffee is coffee or tea are a plant. And by default, plants absorb carbon. Today, the millions or the billions of coffee trees on the planet actually contributing to decarbonising the planet. So in the berries, in the leaves, in the trunks, they capture carbon from the atmosphere. The only – the huge opportunity we have today actually is how do we ensure that this carbon when we harvest the coffee, instead of being released when we burn the coffee, is actually being captured.

And now we are working with different research institute on ground-breaking technology to be able to capture this carbon and actually [inset] carbons at the farm level so that the coffee plantation can contribute to actually the decarbonisation of the planet, which is a huge opportunity for coffee.

Under Scope 3, we'll continue our innovation journey. We'll continue to reduce packaging. We’ll continue to move to recyclable or compostable packaging. We'll improve the nutrition of our product.

And then the last thing also, we'll work on our portfolio to ensure that we move to a low carbon portfolio. So all those initiatives will also take us to our net-zero. And I would say at the end of the journey, when we reach the last 10%, then we will look at offsetting to be able to reach the zero carbon.

So to support us in this journey, I mentioned at the beginning, we talk about impact, and impact equals data.

And we are very pleased because this year we've developed with our team an in-house tool that will allow us to deliver carbon accounting. And this tool is based on all our internal systems, whether it's SAP or ERP, our Sphera reporting system, our specification systems, our vendor data tool, and it pulls all the data from the system to actually automatically generate carbon footprinting of all our product. And for every SKU we sell, the same way we have the GP per cup or the revenue per cup, we have the carbon per cup.

And then we can of course go from the cup, the SKU, to the market, to the category, to the country, to the customer. And this allows us to actually embed carbon into our decision processes, so that when we move forward, when we develop innovation, when we do CapEx investments, when we do promotions, we can understand the financial impact, and the non-financial impact of our decisions and take the best solution – the best decision for JDE Peet’s.

And this is what we are launching this month within JDE, this full carbon accounting. And it will really contribute to the direct support of our strategy and to deliver our ambition.

I wanted to give you some examples of what carbon footprinting means. And well, the first one is on portfolio management. You can see here the Kenco portfolio on instant coffee. And you see today, it’s a mix between jar, a glass jar, small refill, and big refill. And by moving – by playing with your portfolio through promotion, through pricing, you can actually have a direct impact of your carbon.

And the test portfolio that is being evaluated by our team locally will actually lead just by changing this portfolio balance to 3.5% of reduction. So no innovation, no long development or change of packaging, simply understanding the impact of the product. And this is why we’re also pushing our team now to understand how do you manipulate your portfolio, to actually optimise your revenue but also your carbon.

Another example is around nutrition. As I say, sugar is carbon. And we had a fantastic programme in APAC to actually reduce the sugar from our product to improve the health of our consumer to also reduce our exposure to sugar tax. And this led not only to the reduction of sugar, as you can see on this example here, but actually by reducing the sugar, we also reduced by nearly 9% or 8.5% our carbon emissions. So again, all that goes together to create a better future.

And the last example is around what our sales teams are doing, in actually optimising not just the product, but also how we sell the product. And today, our team in the UK is actually moving from point-of-sale materials, which are made of cardboard and plastic, to actually pure cardboard. So first of all, that allows us to decrease waste, especially plastic waste. It had a positive financial impact, and a reduction of the carbon. So again, you see that financial and non-financial goes together because it's about reducing waste, understanding your impact and taking the right decision.

So to complete, well, today, as I said at the beginning, coffee and tea are great drinks for the world. We are in a fantastic category. And we are thriving to make it better day after day in JDE Peet’s. I mean, we want to leverage and to unleash the possibilities of coffee and tea to create a better future. And we will do that in a regenerative, authentic and inclusive way. We've made already great progress for 2022. We have more to come in 2023. And as mentioned by Fabien, this is a non-stop journey. This is a journey that at the end will take us to this climate neutral future.

And finally, we are ready for this net-zero commitment. Our tools are in place, our roadmap is in place. And we'll work to make this public in the coming months. And this is our idea in how JDE Peet’s all together we are creating a better future. So it's the sum of all those actions and all the function across the organisation that put together will deliver this better future for the people, for the planet, and for JDE Peet’s.

So I'll be happy to take your questions on the topic and before we move to our lunch break.

Questions and Answers

Lilia Feghiu (Triodos): Hi. My name is Lilia from Triodos. I have a couple of questions. Yeah. Sorry.

Laurent Sagarra: Sorry, I couldn't see you.

Lilia Feghiu: No, I was just wondering if – a couple of questions on the supply chain. So the first one would be if you can tell us some of the main issues that have been identified in the supply chain? You mentioned that Sedex did an evaluation. The second one would be on if you are considering to target –

Laurent Sagarra: I can barely hear you on the stage.

Lilia Feghiu: Can you hear me now?

Laurent Sagarra: Yeah, a bit better.

Lilia Feghiu: Okay. So the first question is regarding the main challenges identified in the supply chain. The second one is regarding target for living wages for farmers. And the third one is whether you already evaluated how much of the sourced coffee or tea comes from deforested areas? Thank you.

Laurent Sagarra: Okay. So when it comes to the issues, I mean, the issues are really – and the challenge are very region-dependent. So every area has different issues. And when you will actually log on our website from March, you will be able to see for each sourcing area, what are the challenges and the opportunities that we've identified. So we have nine key, I would say, what we call focus areas on which we work in JDE Peet’s.

You mentioned deforestation with biodiversity, that's one of them. We work on the agricultural practices when it comes to yield. We work on labour issues. So we work also on – well, there's nine of them all put together on livelihood and so on. So you will be able to have all the detail and really see place by place what this is. If I take for example, the big one like Vietnam, today, the larger challenge in Vietnam is around agricultural practices and the use of agro chemicals.

And to answer that, well, we have a specific programme called e-coffee, which is a pretty competitive programme with Cirad and a lot of other companies where we're actually working with farmers to again do education on agrochemical usage and so on. So it's very region specific. So it's not a one size fits all. That's why it's very important for us to understand what are the specific issue in all our sourcing areas, and this is the transparency we get through Enveritas. And based on that, implement actions to actually address those issues and drive improvement.

So that's where we are on the issue. So you will have all the detail and all the transparency in the coming months.

When it comes to the living wage, when we look at the revenue of farmers, first of all, there is – as we always say, there is a lot of people brewing coffee, but there is very few coffee farmers. If you exclude big countries like Brazil and Vietnam, where they have real coffee farmers who live from coffee farming, in a lot of the other regions, the revenue of the farmers comes from a pool of activities. I mean, the average size of our farmers is around – well, actually it's below 1.5 hectares per farmer. So it's quite small.

And the coffee is one of the components of the living wage of farmers. And what we're doing on the living wage, as I said before, when I quote the yield in Africa, and African farmers get around 100 kilo of coffee per hectare. So you can – the best way to improve the living wage of those farmers is to work on the productivity. Because if you bring the yield from 100 to 200, you double the revenue he gets from coffee. And this is really where we are getting engaged today is how do we improve the yield of those farmers because this is where we have the largest opportunity.

This is where we will bring also durable improvement on the livelihood because they will be able to get a better yield to sell more coffee and to get more out of it. So this is really where I want to make the difference and why we also engage on the grounds in all those initiatives to train farmers, to educate farmers, because you give them an asset, something nobody can ever take from them, they will be able to get better income from the land.

And we had a huge initiative in Uganda over three years where we educate farmers on yield and we've reached in average – that's the average with 70% increase in the yield with some farmers, I think up to 300% increase. And for us this is how we do lasting improvements in the livelihood of farmers by educating them, by giving them the right coffee seedlings. As I said, when you plant a coffee seedling, it's here for 20 year, meaning that if you plant the wrong one, you will also be stuck with a low yields for 20 years. So this is all just initiatives we do around the wages of the farmers.

And then when it comes to deforestation, the biggest concern with deforestation today is to measure it. So the EU is defining clear guideline now on what deforestation means. So it means more than 0.5 hectare of forest that is above five metres.

The question is how do we measure it? So we are partnering also with Enveritas and also pre-competitively through the European Coffee Federation to actually assess technologies to: A, be able to get some satellite pictures which are being analysed so that to know, okay, here there may be something, but then when you see something on a satellite picture, you need to send somebody on the ground to actually check that it's really deforestation. Because when we did the first evaluation, we realised that when farmers were cutting their coffee tree to renew them – because you renew the coffee tree every 10, 20 years – well, actually this was counting for deforestation.

So we have initiatives within the coffee industry to measure deforestation properly. And then of course, when you measure it properly, we will be able to implement programmes. So we already have programmes in some areas where we know there is deforestation like Indonesia. So we have reforestation programmes. We have forest restoration programmes.

And same thing in Peru, where we are replanting large acreage of trees to compensate for past deforestation. So this one we know it.

And on the rest, we're progressing with the industry to really evaluate what is the situation. And that's where all the data we get by putting together satellite pictures with the on-the-ground assessment by the – our different partners will help us to actually map exactly where is the deforestation in coffee.

Bruno Monteyne (Bernstein): Good morning. Bruno Monteyne from Bernstein. You put out a statistic there that you went from 30% responsibly sourced to 77%. So that's nearly half your farmers have moved from irresponsible sourcing to responsible farming. That's such an enormous leap in one year. It makes you wonder how we can have such a dramatic impact on half of all your farmers. So is that really a matter of reclassification, or is it really a substantial change to these people's lives, given that you have halved your farmers?

And the second and sort of related to because from your answer on the living income or living wage question, I think I can deduce that earning a living income, which is one of the human rights, is not part of being responsibly sourced. So why is your farmers earning a living income not part of responsibly sourcing? Because I think if it was, you'd be a lot lower. Thank you.

Laurent Sagarra: Okay. So to answer your first question on the how do we move from 30% to 77%. They were not irresponsible sourcing, first of all. It's – the first thing is we had no data. So that's the work we did is all the responsible sourcing is a – it's a due diligence process when you assess your farmers, and either those farmers are compliant. And in this case, they can be certified or they are not compliant yet. And in this case, you invest in programme to help those farmers to become compliant. That's what mean responsible sourcing.

And so what we did to move from 30% to 77%, is actually invest in getting those assessment of the farmers, meaning that now 77% of the volumes that we are being – have been assessed to understand what are the issues and either move through certification or through the assessment programme to actually implement action to solve the issues. So that's what it means. It means we are acting responsibly by understanding the issues at the origin, implementing action to remediate the issues and then measure the impact.

And if you look at the definition of responsible sourcing in the Green Deal of the EU, this is exactly what they define. This continuous improvement cycle where you assess issues, you address issues, and you progress. And acting responsibly mean that we understand our issue to the – on 77% of our volume. We address those issue and we are progressing. This is how we move on this journey. And this is completely also aligned with the Green Deal requirement on addressing problem and fixing problem.

So that's on the 30% and 77%. On the living wage, I don't – I'm not saying that we don't work on living wage because we identified through our sourcing. It's just that the way we remediate to living wage is by bringing sustainable solutions to farmers by improving the education so that we improve the yield, by supplying them with seedlings that will deliver higher yield resistant to climate change, resistant to disease for the future, by building schools so that the workers can take the children to the school where they are picking coffee. This is how we make the difference on the ground, by actually bringing those durable assets that will – that they will keep for the rest of their life to generate a better coffee farming.

That's where we made the difference because this will generate at the end, a better living for the farmers and contribute to the livelihood. So this is completely part of our journey, improving the livelihood, but also at the same time making sure that we improve it in a way that is respectful of the nature, because you can improve the yield by deforesting and planting more coffee, where you can improve the yield by improving the quantity of coffee you actually get on your existing plant. And this is how we target it.

Jon Cox: Yeah. Hello. Jon Cox from Kepler Cheuvreux again. Just a question on that – you keep saying that you're ready for net-zero. When are you actually going to sign on the dotted line in terms of the SBTi and net-zero? Because you've been sort of getting ready for a long time. Just wondering what is stopping you from actually, we are now officially committed and everything is documented, where you have been lagging some of your peers?

Second question just on the financials, and I know you have given out some financials. I think there was a press release a year or so ago about the programmes and what you were doing and how much you'd spend. Maybe you could elaborate a little bit more on that.

And also, in terms of the offset, you obviously are putting out less sugar or less or whatever, then obviously, you're saving money as well. And wondering if there's any way to move to a net-zero in terms of the financial expense involved.

And then the last one, just on the carbon offset, which you said would be about 10% of the total when you get down to net zero. There's been a lot of stuff in the press saying that carbon offsets are just a total waste of time and don't do anything. Just on a broader level, just wondering what your thoughts are on that as a sustainability specialist. Thank you.

Laurent Sagarra: Okay, thank you. So, to start with the commitment, we already have SBTi targets, just – that has been validated since January 2022. But – and the way when you look at the SBTi targets, you have different level of targets, and the targets we have is what we call the 2-degree pathway. So this is the target that got approved in 2022 and validated by SBTi. And now we are moving to the 1.5-degree pathway. So more stringent target. And this is also part of the SBTi requirement.

So we are committed. It’s just that we are going to increase our ambition to move from well below 2 degrees to 1.5 degree. And the reason why we started with well below 2 degrees, climate – our climate strategy is something new for us. We started, as I said, a year and a half ago. And we say – we started with these 2 degree because this was – we wanted to have like the hockey stick, let's start by understanding what it means, building our roadmap, embedding it in our company, because it's nice to put a very high target, but at the end, if people have no idea how they're going to deliver it, it can be very demotivating.

Because when you look at how you manage sustainability, it's also a mindset change in an organisation. You need to actually embed next to the financials all those non-financial KPIs. And that's why we say: let's start with a well below 2-degree commitment what we did, so that we could put the tool in place, educate people, show them some first success to actually drive engagement.

And when you see the performance on the Scope 1 and 2 of our organisation, it’s incredible what they have done. They've embraced the journey. And now the roadmap is defined, the tools are ready.

And this is why from our initial well below 2 degrees commitment, we're going to move to 1.5 degree commitment, which is fully aligned with the net-zero strategy. So that's the big change, but we are committed already. It’s just we're going to commit to a more stringent level, which is aligned with the net-zero.

Concerning the financials, the – on the 150 million financial. This is purely on the responsible sourcing. And this covers the cost associated with all the actions in the programme that we have on the ground to be able to assess and address the issues. And as I mentioned, we've already reached 80% run rate, and by 2024, end of 2024 we will be at 100% responsibly sourced. And in this case, we’ll be at the full run rate.

On the offsetting, today, within the scope of SBTi, we are authorised at the end of the journey, and only at the end of the journey, to actually offset 10% of our emissions, because there will be some emissions that we won't be able to offset. And that's why the whole SBTi framework allows us to this 10% offsetting. And this is something that we'll use only at the end where we have no choice. Because at the end when you offset, you drive productivity, you drive efficiency, and so on. Whereas if you start offsetting, you just spend money.

And this is why today we are – we will only keep it as the last resort at the end to bridge the gap on those 10%. But this is definitely not a strategy that we have to make noise around climate neutral claim. Because if you – there is two types of communication you see on companies today. There is companies who are claiming to be climate neutral, but who are literally offsetting all their carbon emissions. It means they are not improving their efficiency, they're not reducing their consumption of energy. They're just paying to get a carbon neutral claim. And there is us where we are investing in our supply chain to be more efficient, because at the end, it's about reducing waste, making sure that we have the right equipment so that we can be more efficient and offset our emissions.

And that's why on this one, we will only use the offsetting at the end of the journey when we will reach the last 10%. And within SBTi, in any case, we are not allowed to use offsetting. If we offset, we will just waste money because it will not count in our carbon footprint. That's why the first thing is drive the change, drive the improvement across your entire value chain to save on all the different parameters that affect your carbon footprint.

I think that was – did I miss anything, Jon?

Jon Cox: If you're saving money on plastic, is there a possibility to offset all of the spending you need? In terms of – I'm talking about the greater journey to net zero. We've seen some of your competitors talk about we need to spend a billion over the next five years. You seem to be a bit more progressive. I don't want to use a Unilever esque Paul Polman sort of like if you have less reductions, you save costs. Yeah, that's the –

Laurent Sagarra: Yeah. And whereas I said at the beginning, it's the – our approach is authentic. I mean, we want to have an impact. And that's also we – we were late to start, but I think we are very quick to catch up. And a lot of the initiatives we are implementing today, are not only driving sustainability but also driving efficiency and productivity. And it's not about being the first but it's about doing the right things. And that's really where we are today.

I mean, we have integrated sustainability in our decision process. So when our teams, for example, are doing an investment, they will look at the return on investment, but they will also look at it, not only just financial, but they will look at carbon emissions, and they will look at water usage. So you start looking at that thing in a different way to make sure that at the end, it ticks all the boxes. So it's not about – it's not profit or sustainability, it's sustainable profit put together. And that's where really our approach is different in the sense that we look at the full picture to take the right decision for the planet, for the people, but also for JDE.

And that's where we are today. And that's where we're moving to make sure we combine both. And to be able to combine both, you need to have data, you need to have systems. And that's why we were extremely happy when we launched at the beginning of the month our new carbon accounting, because it allows us to have this transparency internally to take the right decisions.

[Break]

Robin Jansen: Welcome back, everybody, for the second part of the day, a bit shorter than the first part. We will have two more presentations, one from Scott, one from Fabien. And because it took a bit more time than we had initially expected, we will not do the break after Fabien's presentation. But after Fabien's presentation, we will go directly into Q&A to save a bit of time and to make sure that you can still, let's say, be part of the entire programme and then still catch any flight or transportation that you need to take.

So without further ado, I would like to invite Scott to come to the stage for his presentation. Thank you.

Scott Gray: Thanks, Robin. All right. So I hope everybody's having a good session so far, had a good lunch. So enjoyed the conversations. I now have the opportunity to discuss with you and give you an update on our capital allocation and our capital structure.

So actually, almost two years ago, actually at this very forum, we shared with you for the first time our capital allocation framework. And we've had the capital allocation framework in place since just after the IPO. That was the first time that we were able to share it with you. So it has not changed since we shared it with you last time but I just want to remind you of the priorities.

So our first priority is organic growth. It's investing behind the opportunities within our existing business. And as we reviewed what we have done over the last couple of years versus what we committed to do, and where our strategic priorities are and what Fabien took you through, you can see that that's where we invested. That was priority number one, stepping up on a lot of our intentional investments behind these key strategic priorities.

Our second priority is our optimal leverage. And we target to maintain our optimal leverage at around 2.5 times. Now, this may be a little bit different than other people in terms of what we mean by our optimal leverage. This is not a target that we select for a particular ratings category or a particular commitment. This is actually the level of leverage that we should run the company at in order to maximise the theoretical equity value of the company. This comes from our financial models. And we do refresh and it's in the range of 2.4 to 2.6.

Now this doesn't mean that we can't deviate and increase our leverage above 2.5 times. We can, for a short period of time, of course, to pursue a strategic opportunity. But the key is, we always have to have a line of sight to get back down to 2.5 times without too much delay.

And if we were to get off – caught off sides for too long, theoretically we would destroy some value. So we always are incentivised to get our optimal leverage to around 2.5 times. And if our leverage drops below that level, you don't want to have it too far below, of course, because that's the official level, but that creates additional financial flexibility.

Our third priority is inorganic growth. And as you've seen, and Fabien was talking about the formation of the company, the history of the company, of course, M&A has played an important role in building what is currently JDE Peet's.

And here in terms of our priority number three is not just M&A. It's also strategic partnerships. But we are also conservative with our balance sheet. And as you've seen, we're quite selective when doing our M&As. And we have had a couple of acquisitions and several partnerships since our last strategic update.

And then our next priority is return of cash to shareholders, which we do primarily via a stable dividend flow, which we expect to grow over time.

Now when you look at the potential of the category, the fundamentals of the business, and if you add to it our financial discipline, we have the – a very strong financial profile. And this discipline is applied across the P&L, across the cash flow statement and throughout the balance sheet. And if you look at our first pillar, our financial strategy, it's to protect our gross profit. And this is about making sure that we have the right level of visibility on our inflation that we price through at SKU level all of our inflation, and we manage – and we make sure to protect our gross profit. So that's pillar number one.

The second pillar of our financial strategy is to have strict cost control. And we, of course, tried to have a strict cost control across all of our lines. But this is by containing our cost – and as we've talked about some of our cost initiatives already, by containing our cost, this gives us the ability to be intentional about having step ups and investments behind our strategic priorities.

Now, if you were to look at SG&A and you were to isolate the step-up behind our strategic investments, some of the FX and M&A scopes and you looked at our core SG&A, our core SG&A over the last couple years is actually declining net of inflation. But of course, we're stepping up on our investment level.

Then our next pillar of our financial strategy is strong cash flow management. And this is driving our cash flow across all of the lines, and I'll come back to that in a moment. And lastly, we seek to have a very strong balance sheet and always to have sufficient liquidity.

Now, all of this creates financial flexibility. And our cap allocation framework is what governs and prioritises our financial flexibility. And I'll come back to that. But first, I want to go – as we've talked about a little bit and we'll come back to gross profit. We've talked about our strict cost control. I want to go into a little bit of detail on our cash flow management.

So here you can see that on the left-hand side, if you look at a rolling three-year average, this allows you to go through full cycles on cash flow and working cap, etc.. You can see that taking a three-year average, as of year-end '21, we generated €1.1 billion of free cash flow. So again, the potential of the company to deliver a lot of free cash flow. If you update it through the last reporting period, which is the half of 2022, the three-year average moved to 1.2. And I'm very happy to say that for full year '22, we expect we are going to deliver more than €1.3 billion of free cash flow, which means our three-year average stays at €1.2 billion.

Now, in order to look at the efficiency of dropping our EBITDA and converting again into free cash flow, we look at cash conversion. And in order to make that relative because all companies have a little bit different metric for cash conversion, our cash conversion, its operational cash flow minus CapEx, and here for cash conversion as a percentage of EBITDA. If you put our full peer set by the same metric, just to compare it, you can see that as of year-end '21, we had 73% cash conversion as of the most recent reporting period, as we shared with you, 77% free cash flow conversion.

And with our most recent with 2022 cash flow, it will stay at 77%. And this is above our medium term to long term range of 70% cash conversion that over time we expect to be around.

If you go back to the peer set, you can see that we performed much better in terms of cash conversion than peers at those two periods respectively of 59% and 60%. And this is all supported by our consistently competitive, negative working capital. And of course, it can go through a little bit of cycles with commodity, inflation, etc. But you can see that it's quite consistent. And actually, when you look at it, the trend is even a little bit negative here as we continue to improve and optimise.

So now I want to go through a little bit of the status of our balance sheet and look at our liquidity. So if you look at the time of the IPO, first of all, we had a very different capital structure. And today, looking at the bottom, you can see that we've improved our capital structure quite a bit. And the capital structure at the time of the IPO, we had quite a concentration of debt, particularly in the one-and-a-half to three-year bucket with 80% of the debt in the one bucket and that was with loans.

And since then, we've smoothed out our debt maturity. So you can see the profile is improved on the bottom half. And also, we have doubled our liquidity from €1.2 billion to €2.4 billion. And we have improved our cost of debt from what was an attractive level of cost of debt at 2.4%. But now we have our cost of debt is 0.5%.

And if you look at the bottom, debt maturity profile, you can see that we don't have any debt coming due within the next one-and-a-half years. So we don't need to do any refinancings. And the amount of liquidity that we have €2.4 billion is actually enough to cover all of our maturities through 2027. So quite a strong capital structure.

If we were to open up that concentration of maturities, the way we look at it, in rolling 12-month increments, so we always look to see do we have any concentration, those towers tend to be around €500 million to €750 million in any 12-month rolling basis. And if you go back to the free cash flow that we generate, using the three-year average €1.2 billion, obviously, our free cash flow easily services in any stress environment, any debt coming due.

And if you look at our cost of debt, a 0.5%, obviously, that also gives us a very low net interest expense as well. So we're very efficient in terms of our below free cash flow even down to net cash, cash on hand. And also, we have very little risk in the profile. So a strong capital structure.

And if we chart this versus peers, just to say how does this position us on a relative basis, if you look at the Y-axis here, where we've charted cost of debt, the X-axis is the amount of debt that needs to be refinanced within the next 18 months. You can see that cost of debt, we're at the leading end of that with one of the lowest cost of debt.

And in terms of the amount of debt we need to refinance, we don't have any debt that we need to refinance in the 18 months. So we're in the low-end range here. So very competitive versus a broad spectrum of CPG peers.

And importantly, we entered the current inflationary environment, rising rate environment, with a very strong hand, because we had finished our capital structure and well-positioned going into this environment that we saw coming.

So all of this creates a lot of flexibility, because we're very efficient all the way down to net cash. And our capital allocation framework governs how we deploy this cash. So I'm going to go into a little bit more detail now on our cap allocation framework.

So back to this, and I'm going to go through it. And the best way to look at how we use – how our capital allocation framework governs the deployment of cash is actually to look at our track record and to look at the last few years in terms of how we've deployed that cash. I think that's the most effective way. And now that we've had a couple of years since the last time we shared it, we can now look back and you can see that we do what we say we're going to do. And that's the way that we behave.

So starting at the top in terms of organic growth. So investing behind the growth opportunities in the existing business. Just to demonstrate it a little bit on a couple of examples here. This is always where we start. We always make sure that we have the right investments to fuel our long-term ambition. And a couple of ways to demonstrate this on the left-hand side. For example, if you look at since 2020 when we said we want to step up on our A&P, and here I put our investments and our working media and also the investments behind our appliances, and if you look at the two-year CAGR since 2020 when we said we're going to do that, it's grown by 23%. So that's the two-year CAGR, the step up there.

If you look another way to demonstrate fuelling our organic growth and investing in priority number one is if you look at our CapEx. And here again, I used a three-year average. And you can see that if you look at our CapEx in the last three years, on average, 20% of our CapEx is for maintenance CapEx. This is the core CapEx, the sustaining CapEx.

And we have good control of our core CapEx. We have quite a centralised process. And that allows us to be efficient on our maintenance CapEx, and, importantly, allows us to allocate more of our CapEx envelope to growth. So in the last three years, on average 80%, of our CapEx has been allocated to growth. This is for capacity expansion. This is for expansion, for example, of our footprint of our China stores, these type of investments.

And I know everybody likes to look at CapEx as a percentage of sales. So I added that here as well. And you can see that on average, the last three years, our CapEx has been 3.7% of our sales, which is quite an efficient level. But the important thing is that 80% of it has been allocated to growth. So that's priority number one.

Now, if you look at priority number two, our leverage around 2.5 times. I want to show you a track record of leverage over the last few years. But as the other priorities come after that, I want to show those also in the context of leverage, because we start with leverage and those things happen at the same time and after that priority. So I'm going to walk you through it all together here.

So if we step back to before the IPO, so as of December 2019, our net leverage – so this was legacy JDE – was 3.1 times net debt to EBITDA. And a lot of times when people talk about M&A, recent bolt-on M&As, they forget one of the biggest bolt-on M&As in the history of the company, which is Peet's, the acquisition of Peet's. So this was an important M&A for JDE Peet's. And that took us to 3.4 times leverage as of 20th June. This is right after the IPO. So with the IPO with some additional deleveraging, we landed at 3.4 times.

And at that time, we gave a public commitment to reduce our leverage to below 3 times by the middle of 2021. And as you will recall, we delivered on that commitment. So as of June 2021, we were actually slightly below 3 times. And all during this time of deleveraging, you can see on the upper right-hand corner, we continued to step up our investments on A&P and growth CapEx investments. So we didn't put that behind the leverage. Of course, we continued to invest in organic growth. And that's key.

And we didn't stop there. We continued to deleverage. And we – by the middle of 2022, we got to 2.5 times levered. So optimal leverage. Now this is pro forma without share buyback, and I'm going to come back to that, and I'll explain why I show it that way. So actually, as of around May, we were at 2.5 times and so pro forma for June, we were at 2.5. But as we're deleveraging we get to 2.5 times in the background, we can still do M&As.

So we did do bolt-on M&As during this period of time getting to our optimal leverage. We did our acquisition of Campos in Australia, Les 2 Marmottes in France. And so you're able to try one of those out during the break. So we continue to do bolt-on M&As. And we will consistently do that because of our strong free cash flow generation, it gives us a lot of financial flexibility.

Our next priority is return of cash to shareholders. So we also implemented a stable dividend flow, and you can see our four instalments here and our dividend flow. And importantly, we built a cadence that fits our cash flow profile. And then, as I mentioned, in May of '22, we did a €500 million share buyback that increased our leverage by 0.3 to just under 2.8 times. And I'm happy to say that with the strong free cash flow generation that we have for full year '22 that we're going to look at in a moment, that we expect to finish our year in terms of leverage at 2.65 times, which is actually a little bit below where we started the year.

So once again, following the cycle and we are almost to our optimal leverage range, which is around 2.4 to 2.6, the midpoint being 2.5. So you can see our consistent delivery. We follow our framework. So we adhere to it in terms of our capital – our cash flow deployment. And we do what we say we're going to do.

So this gives us a strengthened business and financial profile. And actually, if you step back and you think about what we've gone through today, what Fabien talked about in terms of our improved fundamentals, Fiona talked about, Laurent talked about in terms of our improving fundamentals, we have a significantly strengthened business and financial profile. And if you were to look at, again, versus peers, and you were to look at some operational metrics, some cash metrics versus a broad peer set, and here I broke it up in terms of beverage, broader CPG, and then brought it together in terms of a total Group average here, you can see here that this data is since the IPO, since the middle of 2020, for most metrics are looking at LTM on a two-year basis, up until the most recent reporting period, for consistency, so this is with H1 data, and you can see here, if you look at top line and you look at a revenue CAGR, JDE Peet's delivered 9.7% revenue growth.

And that compares almost to the level of beverage peers and ahead of the all peer median here for this timeframe. If you look at bottom line, looking at underlying EPS growth as a proxy, you can see here that also we are ahead of the all peer median here as well.

Now, if you look at cash metrics, and we put free cash flow yield here, looking at the average free cash flow yield during this period of time, and I just talked about our strong free cash flow generation, we're best-in-class in terms of free cash flow yield, leading the peer set, and using return of cash to shareholders using dividend yield as a proxy here. You can see that we have a competitive dividend yield.

Now, despite that, if you were to look at valuations, we're at the low end of the range versus this broad peer set. Whether you look at EV to EBITDA multiple or PE ratios. But of course, our job is not to focus on valuations. Our job is to focus on improving the fundamentals of the business. We focus on operating the business. And we know that if we continue to do that and improve our fundamentals, and we have consistent delivery over time, we will narrow the gap to our peer set.

So I'm going to stop there. And at this point, actually, I'm going to hand it back over to Fabien, who's going to give you a preview of our 2022 results. And he's going to look at the outlook, and then we're going to rejoin for a Q&A.

So on that note, Fabien.

Fabien Simon: Thank you, Scott. Can you hear me well? Okay, perfect. So we thought it would be appropriate, being close to end of January, to share with you our preliminary numbers for 2022. But of course, we don't want to convert a Capital Markets Day into a trading update neither. So we will not share more information than the ones that I will disclose now, because we have been keeping our 22nd of February date to talk more about our results as well about our outlook, but you will see a pretty good level already now.

2022 was a year of choice. And there were choices to be made. You could have choices to go in full of pricing, being the first of pricing, paying a bit of the price of being the first of pricing. You could have a choice to say I'm going to wait for somebody else and I'm going to follow, a choice to put less pricings at what was needed hoping maybe to get more volume and gaining market share as a consequence.

Could be a year of not pricing in full but as a consequence, we need to slow down the investment to deliver bottom-line at any cost, possibly even to play with quality. Actually, we make choices for the long-term. I've been saying it earlier [inaudible]. I'm committed here for the long term. And when you're committed for the long term, you're committed to do the right things and not looking after any shortcut to manage your financials.

What are the choices we made? Is first to not to compromise on the quality of the business and our fundamentals. What do we mean by that? And Laurent has been alluded a bit to that. In 2022, it was – we kept very high our customer service level with, on-time, in full, level above 98% consistently. In 2022, it was the lowest ever consumer complaint on JDE product. In 2022, it was the best ever safety performance across our factories.

In 2022, we refused to play some games which sometimes happening on coffee, to change your plan to go to lower grade coffee to manage your cost, but not to deliver the same value to customers and to consumers.

You have seen throughout this morning we refused to slow down the investments we have to catch up on, on working media, on appliances, on sustainability, on innovations. By that it means that when you make the choice, it implies you have no other option than to be absolutely ruthless to protect your absolute gross profit, the profit per cup. And for that you have to be a bit aggressive on your cost side. And we have been sharing what we have been doing there but as well on leading on pricing.

I stand behind these choices because these choices makes us stronger. Knowing what had been happening throughout the years, if I would have to do it again, I would do exactly the same choices because we know these choices are making us stronger and I know these choices as well is making us delivering on our commitment.

Here you can see what we have been delivering in 2022. You see on the left part of the slide what we committed to at the beginning of the year. To be honest, we did not knew how bad the year would turn with a lot of external events which have been happening. Nevertheless, we have not changed our outlook. And we said we will deliver double-digit organic search growth being very disciplined on pricing. We know already we had to be very disciplined on pricing.

We said as well that we will defend our absolute gross profit. We said that we committed to invest in the business. We committed to and manage the short term and prepare to get the better long term. That, we had, for that, to invest behind strategic goals opportunities. And I trust you have seen today where we have been deploying this investment.

And finally, we said we would deliver a minimum of €1 billion of free cash flow for 2022. What have we done? We've done what we said we would do. We have been increasing our sales by 16.4% with double-digit organic sales growth of 11.3% with pricing playing the biggest part there of 15.8%. We have been improving our absolute gross profit by 3.3%. We have been increasing our SG&A investment and we wanted to share really the detail of that on our working media, on our appliances throughout the day. And our SG&A has been stepping up by 10.6%.

And to the earlier questions, you will see on the P&L, absolutely greater than where they were even in 2019. And consequently, our adjusted EBIT has been decreasing by 5.9%, and organically by 9.3% as we have been stepping up our investments for long-term growth.

And on free cash flow, we generated more than €1.3 billion of free cash flow in 2022. And achieving, as Scott has been talking to, net debt leverage of 2.65.

I want to share a couple of more information, especially to answer some of the questions we have had this morning and I know has been a lot written about over the last couple of months about pricing, volume, Europe, shares, in one simple slide. How we break down this 11.3% organic sales growth in 2022, 15.8% pricing minus 4.5% on volume mix. And this volume mix part had been very, very much coming from Europe.

And here, we are showing some things that I think isn’t really disclosed from any company, is very transparently month-by-month in 2022 our volume sell-in in 2022. What do you see? You see a period of a gap. You see a period of a gap in July, in August, in September, in October. Yes, it is the case. Yes, it is true. It is where we were on our last wave of negotiations in 2022, which was difficult. We have been delisted in many places. Of course, when you're delisted, you lose market share. Of course when you're delisted, your volume is going down.

But what's important is not that. What's important is when you are long-term focused, what's happening when you're relisted again. And you can see our November volume sell-in in Europe, you can see our December volume sell-in in Europe, is back. You don't yet see it on the news and reports because you have about a monthly time between the sell-in and the sell-out. I promise you, it's going to come back on the next read you're going to see on market share Nielsen.

We have been, in the meantime, losing market share. We were prepared for it, we knew it. We've seen that two times in similar cycles in the past. And if we look from July to the latest market share we had in November, which coincides exactly to these low windows with a one-month delay, we have been losing 79 basis points of market share in Europe. That is correct. We don't yet have the full consolidation number at the end of December, but we have markets that are starting to share some very good results at the end of December. We will share again in a very transparent way our market share at the end of December during our presentation on the 22nd February. But we know already it's recovering. And that is the choice we made, and we stand again behind this choice because we know the exit rate of the company is stronger.

Now looking at the channel level, our organic sales growth between in-home and away-from-home as well. We are going to be very transparent here. We continue to recover on our away-from-home business, which have had a 21%, almost 22% organic sales growth in 2022. And we see when we do have recovery on top line in away-from-home giving the hard work we have been doing on the cost side, giving the operational leverage and additional growth is giving that our bottom line is growing at a much faster pace than the top line.

But at the same time, we have to acknowledge in 2022, COVID in China continued to have an impact. We have to acknowledge that there had been a far more sticking work from home behaviours than what we have been anticipating. I got that wrong. 2.5 years ago, I said it will most likely take three years to come back to pre-COVID level. I was right that it's going to take time. I was wrong on the exit. We thought it will be around 95% to 90%. It's below that.

On the coffee store side, it's mostly impacted by China and we know what's happening on China. We are expecting to see further recovery. We know on other channels where we are exposed, we are below 80%, which will provide, of course, further upside when it's going to happen. But we'll continue to work on our cost side if we see that not happening.

And if I look back now over two and a half years, so since we became public what has been our performance? Scott has been alluded to about some of the numbers which were since IPO but from middle of the year because we don't have data yet for other companies on the full year 2022. But I have to say we have been delivering a pretty good performance. I would say we've been delivering a superior performance on our operational metrics.

On revenue growth, 18% bigger company today than where we were at the time of the IPO and 7% compounding annual growth rate. Of course there is pricing into it. But we have had as well already last year some volume-mix momentum. And this year, we should not think that doing pricing is easy. You need to ensure your brands can carry this pricing. And they had. We have been increasing our bottom line at a faster pace than our top line with an earnings per share of 21% higher than when they were in June of 2020, which gives a compounding level of a double-digit level.

But what is very important for me is almost the second column here. We have not delivered this number without shortcut. We could have got that number bigger. We could have got our bottom line bigger in 2022. We make the choices to ensure we would be a well-invested company. So for investors, when they look at JDE Peet's, when they look at the company, they can be totally reinsured: it is a well-invested company.

We have restored that. We have our share of voice today, which is above 40%. We have been investing more than 44% behind our appliances, and we have been explaining which appliances we have been invested behind a bit earlier. No shortcut made in the business.

And we have been returning cash to shareholders. We have been returning €1 billion cash to shareholders. Over the last two-and-a-half years, we generated about 2.8 – between €2.8 billion and €3 billion in free cash flow in two-and-a-half years. We have returned cash to shareholders at the same time as reducing our net debt by €1.1 billion.

Very important in our strategic framework is inclusiveness on our performance. And we as well, very pleased on what Laurent has been presented on the step-up we have been doing on sustainability. We have not been improving our performance at the expense of our ecosystem. But we have been improving our impact in the ecosystem with a reduction of 15% on our Scope 1 and our Scope 2 with significant step-up on visibility on our sourcing on coffee moving to 77% responsible sourced coffee.

How does it lead to? It lead us to being re-ensured that we have a stronger company. And as a consequence, our long-term algorithm impact remain unchanged. You have seen it. It is exactly the same that what we have been presenting in the past. What does it mean for 2023? How do we look at it? And we had a question a bit earlier.

We believe that in 2023, we are well-positioned to be on the high side on our organic sales growth as an algorithm. So we believe we are going to be on the high end of it. We are going to go back to positive organic adjusted EBIT, that we are at this stage estimated on the low single-digit level, again, without compromising on the quality, without compromising on the investment with what we call moderate SG&A investment because I would say the reset is completed. The reset is done. But as we continue to evolve into new growth pools, we need to ensure we continue to support our investments and stable dividend for 2023.

We want to be as well very transparent that we see the year as the year of two halves. We see the year of negative EBIT – adjusted EBIT in H1 and a year of positive adjusted EBIT in H2. But the balance of the two are going to be positive. We usually never present our outlook into half, but it's – we saw that for the sake of transparency and avoiding any surprises, we wanted to be transparent.

Now, that leads me actually to my conclusions of this day before we go into Q&A.

I believe we are a much stronger company that we have ever been. I trust that you took the key messages we have been trying to convey today, which are, on one hand, we have been delivering on our outlook in 2021. We have been delivering on our outlook in 2022. We have been delivering on what we said we want to reinvest in the business. We have been delivering on what we said to be more intentional behind the new growth pools.

And actually we have been delivering all of that despite turbulences and without making any compromises on the fundamentals of the business.

The second thing is: we have been transforming the company as well, a company that is today I've used many times the word 'stronger,' but is correctly invested, a company that is more productive and a company that is more sustainable and more inclusive.

But it is not sufficient for – to move us up to the next level. And it was very critical that at the same time we are managing disruptions, strengthening the company, positioning ourselves to much better goals in the future. And we have been doing that by really fuelling new growth pools for us. We are successful and outgrowing in the US. We are successful and outgrowing in emerging markets, and in China in particular. We have significantly stepped up our capabilities on digital commerce. We have stepped up our intentionality and our agenda on appliances.

I am sure you've seen from Fiona some impressive things on innovations that we really have back now, not in one specific category, but across consumer needs that we have very well identified behind which we are innovating. And if you put all of that together, we are very confident that we have all the assets to win in the category, to win in the new wave that is coming in front of us. And we have as well, a very, very strong capital structure that will enable us to fuel these organic growth, but at the same time to seed opportunities or to seize opportunities, sorry, when we are going to see them arising.

I trust that during this full day, you're sharing the same conclusion on the journey of what we have been doing, I would say, over the last two-and-a-half years. And we are expecting a further exciting journey ahead. Thank you.

Now we'll probably do a few seconds break, probably even not, we go straight to Q&A. Okay, let's go straight to Q&A. And maybe I'll invite Scott back on stage.

[Break]

Questions and Answers

Fabien Simon: I will just ask as I've been sharing before, to be mindful. It is not a trading update of the company. Try to focus more on the overall day, important questions you may have. And of course, if there are questions that we have not answered today, we'll be very happy to have some follow up with Robin offline.

Faham Baig: Thanks. Faham Baig, Credit Suisse. I want to go back to the chart you showed on the improving performance that we haven't seen in the Nielsen data yet. Could you just elaborate how you've managed to potentially turn the corner in terms of both volume declines and share growth? Is it as simple as resolving the delistings? And if so, how have you been able to do that? Have you had to give back on some of the price increases you've taken?

And secondly, you mentioned competition normally comes back with price increases a quarter or two later. Have you seen that play out in the recent data as well? Thank you.

Fabien Simon: I will start maybe with the second part. I believe we have been answering that one this morning when we have been showing that there is a convergence now of price increase which has been happening throughout the industry. Of course, it will always be some adjustment or catch up to be done here and there. But I believe there is really a convergence. And that has been led to your first question, which is, what have we done? We'll just stay firm.

And that's why this dip was not a weak dip. In some market, it has been four months dip because we stay firm.

When you increase at the same time your innovation pipeline, the strength of your brands, you're still being on air, you're still being visible, you're still being creating a pool for your consumer. You're coming back on shelf. And because you can back on shelf, your volume are back and your market shares are back. We did not had to compromise if it's maybe what you were alluding to, to come back. If you would have taken one month more, it would have taken one month more. Celine?

Celine Pannuti: Thank you. Celine Pannuti, JP Morgan. So I want to come back to the same question I asked you this morning. So organically, basically, you're saying that your volumes are back. What is the volume in the industry? Do we still have to compare high level of at-home consumption? Are we seeing more elasticity? And maybe I don't know if you will answer that. But I'm a bit surprised of your 3% to 5% or top end of 3% to 5% for this year. So does it mean there's no volume bounce back that you're expecting in '23? Thank you.

Fabien Simon: So, the first part was about – the volume, yes, the volume in Europe in particular. It is fair if you look at Nielsen data across players in Europe, if I recall well data, it's about minus 6%, minus 7% volume. And I would say this is even before any some impact on some – on some volume from negotiation. We believe that is purely a readjustment on the post COVID phenomena that you see backed, by the way, in most majority in recovery in volume in away-from-home even in our business. So we don't see a trade-off or trade down there.

Then your second question was on –

Scott Gray: The sales – on the sales guidance on the –

Fabien Simon: Yeah. Sales guidance, sorry for that. Again, we have to be careful. We will answer more of these questions on 22nd February. But we are expecting, I would say, healthy structures of our organic sales growth in 2022. It's still years where you have had some different comparison, we have pricing, you have delisting, so all things together. But we are expecting to have a healthy organic sales growth, I would say, more balanced organic sales growth than the one we have had in 2022.

I really should know the questions.

Patrick Folan: Hi. Yeah, Patrick from Barclays. [Inaudible] your results. Well done managing the volatility in the past year. But looking forward ahead, can you talk about the phasing of H1 versus H2 on the organic EBIT side? And I guess, second of all, I guess, the top end of 3-5%, can you give some of the moving parts behind that? I think some of the risk was in terms of pricing being rolled back. How do we see that kind of going through into the second half of next year, considering the tough comps this year and maybe the negotiations you're going to have with retailers?

Fabien Simon: So there's a lot of that I can't answer and I don't want to answer at this stage. But just to give some directions still. You see, there is some ease on the commodity side but at the same time, you see that there are still some underlying inflation on services, on labour, on energy, although there have been some short-term positive impact, on currency if you look at year-on-year.

So there are still underlying input cost, which are happening, which might be at a different time, when you have it, I would say when you read it in the newspaper, and when you have it in the P&L.

But at the same time, what I've said earlier, we are – we want to be known as a retailer as a company that will behave on the various cycles on the commodity coffee side, in particular. When coffee goes up, we'll be relentless, will be difficult because we know what we do is the right thing for the entire industry to price. And when we will have tailwind, we will share this tailwind with retailers. But of course, we'll do that in a mutual way. We need to ensure that there is, either from a timing or intensity standpoint, the similar thing happening in – I mean, the reverse happening in 2023 of what has been happening in 2022.

And as far as H1, H2, I don't want to enter too much in that conversation today, but there are comparison basis, they are inflation basis, pricing basis, investment phasing basis. You – I'm sure you are doing all your computing work to get an estimate between the H1 and H2 of 2022 of our investment is probably most going to – most likely going to be a bit more balanced next year, which is – which have a different impact H1 and H2, which are the main drivers, but nothing really fancy beyond this for 2023.

Tom Sykes (Deutsche Bank): So, hi. It's Tom Sykes from Deutsche. Just in terms of the variability of the cost lines, I suppose it's in addition to the last question, and particularly on energy and freight, which obviously have been coming down, but I think you probably fixed quite far ahead. Is that something that you think will be – would those be a benefit to 2023 as it stands? Or is the main benefit on profitability going to be sort of holding your volumes and your sales as the green coffee price comes off?

And then what's the sort of further outlook of out-of-home or away-from-home versus at-home improvement, please? Because can you still generate operational leverage out of your away-from-home business in 2023, please?

Fabien Simon: Great question. I will start maybe with the second one, and Scott if you want to answer the first one maybe.

Scott Gray: Sure. Go ahead.

Fabien Simon: So on the away-from-home, I think it's one topic, to be absolutely frank, we don't have full clarity about, at this stage. We believe there are going to be, most likely, some recovery on the coffee store side, in particular in China, and we feel very pleased about it because we have not slowed down our store openings.

On the working from home, working in offices, it's so much in balance today. We are hearing in companies today, we are forcing people to come back. We are hearing companies as well suggesting stay all home, sometimes in the same country in the same industry in services. So it's very difficult to have a point of view. And we don't want to have our operational performance relying on hope, or things we don't know. So we will continue to do our job.

Either when we see a faster recovery, we’ll participate into it and provide operational leverage, or we don't, and we’ll continue to work on our cost structures. Of course, as time progresses, we’ll know more. Most likely around April, May of this month – of this year we will know more. But we are preparing for both agendas as we speak.

Scott Gray: And then I'll take the first question. And so, on – I believe your question was on energy and freight and what is coming through with some of the market trends that you see there.

On energy, it depends a little bit by market as well, because some of those markets saw a little bit less in '22 and then that inflation comes in '23, depending upon if it's a regulated market or not and how that gets passed through. So some of the markets now, it's actually in '23, where you have that inflation. In some of the markets where it's open and it's more you can buy spot and you can do hedging, we have some of that also locked in. And so, that's not going to come until the first half. In some markets, maybe in the later part of the year. We'll get a little bit more visibility there as we go forward. So that's a little bit H1, H2.

And also in terms of ocean freight, you're right, that you do need to secure things upfront. So you do have some tenders that cover a portion of the year. So we still have some inflation that's coming through with the lag effect there. But we do have – and let's see if that also continues with the current trend. But we do see freight coming down. And that could come through a little bit in the second half. But it's a little bit early to share. And I don't want to get too much in terms of what's locked in and what's unlocked at this point. But that would be later in the year for the areas that we see some benefits. But there's a lag on that.

Jeremy Fialko: It's Jeremy Fialko, HSBC again. Can you share a bit more on your views about Single-Serve in 2023? And if you're like lapping some quite high bases there or you've got a bit of kind of COVID stuff still to come out, does that mean that you could have a certain element of negative mix in your business if that's a part of your business that's perhaps declining quicker just because of the base effect versus others? So maybe you could give us a bit more perspective on that. Thanks.

Fabien Simon: I will answer that more talking about the past and the future, because it can be a bit more commercial sensitive. But when we look at 2022 in the second part of the year, and in Europe in particular, it's just impossible to look what is volume, which is mix driven, because when you're delisted with the retailers, there is absolutely everything.

So it's very difficult to say do I see a trend happening on my mix or not. But we are expecting all of that to normalise. And as it normalises, I think consumers are back to their normal routine. And where we see disproportionate growth on Single-Serve, on Beans, on Premium Instant versus the rest of the portfolio.

Robin Jansen: Fabien, Scott, if you have time, I would like to take the last question from –

Fabien Simon: From Jon and David.

Robin Jansen: Yeah. From David, because there's people that have to catch the plane, so then we can wrap it up.

David Hayes: So David Hayes at SocGen. So just a couple of bits on the 23% increase in working media and appliances '20 to 2022. So just so I understand that – just to check, that's all OpEx, isn't it? There's no that you can't capitalise any of the appliances.

Fabien Simon: Correct.

David Hayes: And then just to – kind of just run check out what you said. The big step up in investments is done. So therefore that number will be much lower in ’23. Was that the point that you were saying?

Fabien Simon: Yes, the step-up of investment, the reset of investment is completed by now. Yes.

David Hayes: But you can't quantify the estimated percentage.

Fabien Simon: That's right. We talked about a moderate increase next year. I think as I always say, growth requires investment. ESG requires investment. And you always have to ensure that you're putting the right money, especially when you see an attractive opportunity.

David Hayes: Okay. And then the last one for me –

Scott Gray: That was a two-year CAGR reported step up.

David Hayes: Okay. And then the last one for me, just on the terms of the delistings and the recovery. So we understand that a lot of companies that you go from 100, delisted to zero. And it takes, let's say, 12 weeks to get back to 95. Actually, you never get back to 100 immediately. Is that what you would say? Would you concur with that? And therefore, this is still towards the back end of the year, you're going back from zero to towards 100 in that November, December number, and therefore it should build through the first half of ’23?

Fabien Simon: I think, in reality, there have been multiple waves of negotiation throughout the year, which means that you have some market where you come 100%. You have some market where you come 95. There are always sometimes some retaliations, but you have as well some market when you come 105. And we have a bit of a combination of all of that. And I think it's probably getting closer to the average of 100% across markets. It doesn't mean it's absolutely perfect everywhere. We still have few areas here and there, where we are not totally satisfied with recovery. But all in all, very much so.

David Hayes: Thank you.

Fabien Simon: Jon, I think had the questions earlier. No. Not anymore. I thought you had a question earlier, Jon. No. We answered it. Okay, perfect.

So I think we see, Robin, we probably have to stop here. So look, I will – I don't want to do another conclusion after doing conclusions. And I see some people have to really catch their flight. I will say thank you very much for coming over. Thank you very much for your interest in JDE Peet’s.

You can see that we have been doing our best to answer most of the questions which had been arising throughout the company over the last year. Is it the weight in Europe? Is it impact on pricing? Is it investment recovery on the company? To give a lot of transparency, we thought we deem to share that with you as investor or as analyst.

We might have not answered yet all the questions. We'll have another window of opportunity on 22nd February. We'll be very pleased to share in more detail our results. But if in the meantime, with – you think that there is really a burning question we have not answered, we'll be very happy with Robin to answer it. So a big thank you for your interest and for coming over today. Thank you.

Scott Gray: Thank you. [END OF TRANSCRIPT]