



Transcript Earnings Call related to JDE Peet's' Half Year Results 2025

Operator: Good morning, ladies and gentlemen, and thank you for standing by. Welcome to today's JDE Peet's Half Year 2025 Earnings Call. My name is Sharon, and I will be your operator for the call. The conference call is being recorded. At this time, I would like to turn the call over to our first speaker, Robin Jansen, Director Investor Relations for JDE Peet's.

Robin Jansen: Thank you Sharon, Good morning everyone, and welcome to JDE Peet's earnings call for the first half of 2025. Joining me are Rafa Oliveira, CEO, and Yang Xu, CFO. After my introduction, Rafa will walk you through the operational and financial highlights related to our first half year business performance, followed by a strategic update.

Yang will then provide more detail on our financial performance and will provide an update on our full year outlook. After that, we will be happy to answer your questions.

Our press release was published at 7am CET this morning. Both the release and the slide deck for this call are available in the investors section of our website. A full transcript of this conference call will be made available there as soon as possible after this call.

Before handing over to Rafa, I'd like to draw your attention to the disclaimer on slide 3 regarding non-IFRS measures and forward-looking statements. Please take a moment to review this information carefully. With that, I am pleased to hand over the call to you, Rafa.

Rafa Oliveira: Thank you Robin, and welcome everyone.

I am pleased to share the key highlights of the results of the first half of 2025 with you, and provide you with an update on our five key priorities for the year, along with a brief recap of our new, brand-led strategy we introduced at our Capital Markets Day on the first of July.

As you saw in this morning's press release, we delivered another set of strong, broad-based results. On an organic basis, our sales were up 22.5%, our adjusted gross profit increased by 2.2%, and our adjusted EBIT grew by 2%. Our Free Cash Flow was also solid at 565 million euro, underscoring our strong cash-generating capabilities.

We are proud of this performance across topline, profitability and cash, especially when considering persistently high green coffee prices that we had to continue to deal with in the first half of 2025, which Yang will elaborate on later. Once again, we successfully managed to appropriately offset this semester's unprecedented level of inflation with efficiencies,

productivities and pricing across products and markets. This allowed us to protect our gross profit, enabling necessary investments for growth and profitability.

Despite the short-term volume pressure we experienced during retailer negotiations in Europe at the start of the year, volumes rebounded quickly from March onwards, resulting in very resilient volume/mix growth of +1% and, overall, stable market share performance, especially in faster-growing categories such as beans and aluminium capsules. Especially in capsules, we are very pleased to see that again in the first half of 2025, we are outperforming the market with low-teens organic sales growth, fuelled by mid-single-digit volume/mix growth.

We are also pleased with the progress we've made on the five key priorities we set for 2025 and which we shared with you when we published our full-year 2024 results back in February. I will briefly address the progress we've made on each of these five priorities in the next slide.

Last but not least, we returned 43% of our Free Cash Flow to shareholders: EUR 172 million was returned through dividends, while another EUR 71 million was returned through our 2025 250 million euro share buyback program – which we launched nearly five months ago as part of our 1 billion euro share buyback commitment for the coming years. By the 25th of July, we had completed 38% of the 2025 share buyback program.

Overall, looking back at the first 6 months of this year, we are very pleased with the progress we've made from a strategic, business as well as financial perspective. More importantly, as a leadership team we have clearly noticed that the organisation is starting to re-find momentum and that the new strategy and decisive actions we are taking, are re-energizing and motivating our teams across the globe.

Let's now take stock of how we are progressing on the five key priorities we've set for our team for 2025. First, and foremost: pricing discipline. It goes without saying that with an inflation headwind of about 800 million euro half one, and an estimated total level of inflation in our cost base of around 1.6 billion euro for the full year, the number one priority for the entire organisation is to stay laser-focussed and extremely disciplined on protecting our gross profit, our EBIT and our Free Cash Flow. Which we did.

We pull all the leavers we can to mitigate inflation, and have to build a robust pipeline of productivity and efficiency measures to absorb as much of the inflation headwind as possible. And only the part of inflation that we cannot offset despite our efforts, has been, and will be passed on to our valued retail and Out-of-Home partners through price increases.

To this end, we are currently discussing pricing with customers across the globe and I am pleased to report that we expect to have successfully concluded price negotiations covering 87% of our total sales by the end of next week which will then include France, where a different timeline is applicable due to the rules that apply to that market.

And to be clear, being disciplined on pricing and protecting our absolute gross profit is crucial to our ability to continue to invest in areas such as new product development, product quality, sustainability, capacity expansion etc. And this ultimately benefits all our stakeholders, including consumers, customers, employment and the more than 1 million farmers we source from.

Our second priority for 2025 is to identify and deliver additional efficiencies to fund incremental investments behind our leading brands: Peet's, L'OR, and our 10 iconic brands led by JACOBS. We have done intensive granular analysis to identify the 4 main areas where we're going to get these productivities. We shared these 4 areas at our Capital Markets Day, and started to execute on since the start of this year. The four areas we have identified are: portfolio simplification, synergies in the way we work, drive continuous improvement, and focus on asset-light routes to market and partnerships.

We have a specific target for each of these areas and very detailed zip codes of where we are going to get these productivities from. In terms of timing, we expect to deliver 250 million euro of net savings by the end of 2027 and in total 500 million euro by 2032. And, of course, we will update you on the progress we are making on this front on a regular basis.

Let me call out some of the most important initiatives we undertook in the first half of this year to simplify our operating model and optimise resource allocation:

- We divested our tea business in Turkey, which was loss-making, to Efor Holding;
- We discontinued the roll-out of the L'OR Barista machine in the U.S.
- We transferred our L'OR capsules business in the U.S. to Peet's in San Francisco, to better capture the significant potential of the US coffee market
- In procurement, we've implemented a Design-for-Value program that is already bringing productivity. Using our coffee expertise, we are able to mix our blends to optimize cost while maintaining quality
- When it comes to our manufacturing footprint, we announced the intended closure of our plant in Banbury, U.K.
- And we also announced the optimisation of the operating model in Europe by reducing the number of country clusters from 10 to 5, harmonising ways of working across teams, and centralising finance transactional activities in a Global Business Services model to improve effectiveness and efficiency.

So yes, a good start has been made, but as this is a significant and multi-year program: what we've done today is just the beginning and we will continue to work on strategic initiatives to simplify and optimise the company, so stay tuned here.

Third, the strategic assessment we have done in the first half of the year and the new, brand-led strategy this resulted in, provide us with a clear strategic roadmap to be much more

selective and rigorous in our capital and resource allocation to drive brand investments behind our three Big Bets: Peet's, L'OR and 10 iconic brands led by JACOBS, with a bigger focus on organic growth.

To reinvigorate a focus on organic growth, we are deploying – as our fourth priority – a spectrum of initiatives to increase agility, remove bureaucracy, and drive an ownership culture across the organisation. An example of this is the two-day summit we organised right after the capital markets day for the 100 most senior leaders of the company for alignment and deployment of the new, brand-led strategy and crystallize what this means for the entire organisation.

When it comes to the fifth priority to put more emphasis on stakeholder value creation, I believe we are also making good progress:

- We continue to invest in the business, with, for example, a mid-single-digit organic increase in A&P
- We improved our engagement score
- We are intentionally engaging an additional 165,000 farmers, to reach a total of 1 million farmers by the end of this year
- And we delivered solid Free Cash Flow, which we used to return 243 million euro to our shareholders and to reduce our net leverage to 2.5 times

Let me now briefly provide you with a recap of the new brand-led strategy we revealed at our Capital Markets Day on July first.

We're simplifying the organization into one unified JDE Peet's, with three Big Bets: Peet's, L'OR, and 10 local icons led by JACOBS. These 10 local icons have amongst the strongest meaning, brand saliency, and penetration in the markets where they are present— and across all age groups. And, very importantly as well, these are brands that enjoy very high rotation and have proven to be highly responsive to activation. And these 10 iconic brands are 100% complementary since they mostly do not coexist nor are they activated in one same geography. Moving forward, and leveraging the commonalities that bring these brands together, we will platform once and deploy multiple times. On the back of JACOBS, we will create a chassis that we will adapt, on the last mile, for meaning and distinctivity. And this is not a theoretical model. We've been experimenting over the last months and we have proven the model can work.

The focus on these three Big Bets does not mean that the other remaining brands in the portfolio will, by definition, be neglected or sold. We see various future avenues for the second tier brands and the ones that find themselves in the tail.

These brands could:

- Either develop a plan that steps up their performance to aspire to become part of the group of local icons
- Or be transitioned to another brand like we have for instance done in the past with L'Arôme and Carte Noire that transitioned to L'OR, and Médaille d'OR's transition to JACOBS in Switzerland
- And, in some cases, we could conclude over time that we are no longer the best owner of certain brands, and will thus look for alternative end-state models

Our transformation will be driven by five key catalysts:

1. A winning culture of agility, ownership, and transparency
2. A consumer-led organization, built on iconic brands
3. Commercial excellence across our 4 mission-critical capabilities
4. A simplified structure through an ambitious productivity program
5. With financial discipline at the core

Before sharing some examples of the progress we're making on these five catalysts, let me first highlight some of the promising product launches we have rolled out through our leading brands: Peet's, L'OR and our 10 iconic brands led by JACOBS.

The three Big Bets I just mentioned – anchored in our brand-led strategy – are creating a powerful focus for innovation. And we are already seeing great results. We're bringing meaningful new products that meet changing and evolving needs and preferences – at the right time – while increasing the value of every cup.

Let me share a few highlights from the first half of the year.

Peet's stepped into exciting new territory with the launch of Peet's Popping Pearls, a bold innovation designed to surprise and delight. These pearls gently burst with intense coffee flavour, delivering a unique and playful sensory experience.

Because of its success, we've now brought Popping Pearls to more markets under the L'OR brand – where it's becoming a key feature in our experiential activations. With more than 50% of U.S. coffee drinkers now choosing Medium Roast, Peet's is expanding its beans offering in the Medium Roast Category.

"Off the grid" is our latest addition to the beans portfolio, and is specifically crafted to attract new consumers by offering the coffee they already love, with the premium taste and quality that only Peet's can deliver.

We are also building on the strong momentum of the fast-growing iced coffee trend, especially with millennials and Gen Z. L'OR Coconut Iced Espresso made a strong debut in over 20 markets, and it's just the beginning. We're now preparing to launch a season line-up that

reflects how our consumers live and feel throughout the year. Coming this autumn: L'OR Pumpkin Spice, a typical warming blend with notes of cinnamon, clove, allspice and nutmeg.

In June, we launched L'OR Barista Absolu in 6 markets. It's our most advanced machine yet, offering 18 brew options, including a dedicated ice function to brew a perfect Iced coffee through a machine. Whether hot or cold, each cup is elevated with richer flavour and aroma. To elevate the experience for consumers when brewed cold, our innovative purge function pre-wets the coffee grounds, allowing them to bloom before extraction. This means you'll also get full aroma and flavour over ice when the iced button is selected.

Let's now switch to the iconic brands led by JACOBS and provide you with an example of the exciting opportunities we have to platform and roll-out new innovations across these strong heritage brands: Dubai Chocolate. In response to a fast-moving social media trend, this product went from concept to shelf in just 18 weeks. Its strong performance allowed us to roll it out quickly across more than 20 markets under several of our leading brands, and it's already becoming one of the top-performing products in our Mixes range in the UK.

And lastly, after Peet's Ultra Coffee Concentrate opened a new category Moccona launched Liquid Espresso Coffee Sachets in Australia. It's the first of its kind there and answers the growing need for convenience. 76% of surveyed consumers indicated that they would make it part of their daily routine. With that kind of response, we're now planning a wider rollout across Asia.

Let me now move on to share a selection of the progress we are making on each of our 5 strategic catalysts I just referred to.

As I mentioned at the start of this call, we have clearly noticed that the organisation is starting to re-find momentum, and that the new strategy and decisive actions we are taking are re-energizing and motivating our teams across the globe. This is also underpinned by the most-recent outcome of our annual Gallup Employee Engagement survey. The score improved to 4.12, based on a participation rate which was 91%, compared to 81% on average at other FMCG companies using Gallup.

We also announced a new setup for the Central Marketing Organization aligned with our new brand-led strategy and aimed at:

- Consolidating all category teams under one portfolio Strategy role to drive a holistic category agenda and aligned priorities
- Scaling up expert capabilities and remove duplicities

To beef up commercial excellence, we have, among other things, set up a brand-new Revenue Growth Management platform and are enriching our Key Account Management reach and capabilities.

As you have heard earlier during this call, our simplification and productivity programs are in full swing, and our financial discipline remains strong reflected in: strong Free Cash Flow, a leverage of 2.5 times, and 38% of our 2025 share buyback program completed.

So, to wrap it all up, I'd like to conclude that:

1. We've delivered a strong set of broad-based results
2. We've put a clear and simple, brand-led strategy in place, and
3. We've set the strategy in motion and are making solid progress since the start of the year

Taking these three points into account, we feel confident in raising our full-year guidance, which Yang will come back to at the end of her section.

With that, I would now like to hand the call to Yang to discuss our first half financials and the outlook for full-year 2025

Yang Xu: Thank you, Rafa, and good morning everyone. Following Rafa's overview of our H1 highlights, I will now provide more details on our financial performance and then update you on our outlook for full year 2025.

Slide 14 shows that we have delivered a strong set of results across topline, profitability, and cash in the first half of 2025. Organically, our sales increased by 22.5%, our adjusted gross profit increased by 2.2% and our adjusted EBIT by 2%, reflecting a strong delivery in H1.

When taking into account the net effect of forex and changes in scope, sales increased to EUR 5 billion, adjusted gross profit increased to EUR 1.7 billion, adjusted EBIT increased to EUR 709 million and our Free Cash Flow was 565 million euros.

Slide 15 shows more details on the drivers of our sales.

Our organic sales growth grew 22.5%. It was driven by pricing of 21.5% as we continue to pass through the necessary and appropriate pricing to offset incremental inflation. In light of this pricing, volume/mix growth showed strong resilience with a plus of 1%.

The negative foreign exchange impact of 2.8% was mainly driven by the depreciation of the Brazilian real. The 0.2% contribution from scope reflects the consolidation of Caribou as of the 31st of March 2024 and the exit of the tea business in Turkey at the start of May.

Let's now go to slide 16 to look in more details at our EBIT performance.

Our organic adjusted EBIT increased by 2%. What this bridge clearly shows is two things. First, we managed an inflation headwind of about EUR 800 million, which is more than our entire

adjusted EBIT we generated in the first half of 2024.

Second, we maintained our absolute gross profit by implementing appropriate price adjustments to address inflationary pressures that could not be fully mitigated through productivities and other measures. The bar chart shows that we have successfully protected our absolute profit base reflecting the resilience and strong market position of our brands.

Our overall A&P spend was up mid-single digit organically, with stable to increasing A&P spend across all four segments.

Let's now take a closer look at the organic sales and adjusted EBIT performance by segment on slide 17. Looking at the performance by segment, you can see that all four segments contributed to our topline growth. When it comes to profitability, both Europe and LARMEA developed strong performances at gross profit and adjusted EBIT level, which were partly offset by declines in profitability at Peet's and APAC.

Let me now go through each segment one by one. In Europe, volume/mix performance was very resilient at 1.8%, taking into account pricing of plus 15.4%. Part of the relatively strong volume/mix performance, we believe, reflects some consumer pre-buying ahead of planned price increases in the second half of the year. We estimate this pre-buying effect had a positive effect of around 2 to 3-points on volume/mix performance in the first half, which, by nature, will therefore become a headwind for volume/mix performance in the second of the year and is fully reflected in our updated outlook of the full year. In H1, markets such as France, the Nordics and Italy, and brands including JACOBS, L'OR, Douwe Egberts and Gevalia drove organic sales growth.

The adjusted EBIT increased organically by 8.6% reflecting an increase in gross profit, supported by the retailer pre-buying I just mentioned, and an increase in A&P spend as we actively reallocate funds to areas where we get better returns.

In LARMEA, organic sales growth was driven by 55% price growth which was offset by a decline in volume/mix of negative 1.2%. Various markets in LARMEA actually delivered positive volume/mix, which was offset by Brazil, which continued to experience soft market conditions.

Organic sales growth was driven by brands such as Pilão in Brazil and JACOBS in Eastern Europe and South Africa. Adjusted EBIT increased organically by 19.2%, which mainly reflects an increase in gross profit, productivities and stable A&P spend. The freed-up A&P as a result of the discontinuation of the roll out of the L'OR Barista machine in the US, was reallocated to higher impact opportunities elsewhere in LARMEA.

At Peet's, organic sales growth was driven by 3.5% price and 0.6% volume/mix. Peet's' In-Home business continued to deliver competitive growth across its Peet's, Caribou, Stumptown

and Intelligentsia brands. In Peet's US coffee stores, same stores sales and ticket size were up and Peet's China continued to deliver strong double-digit organic sales growth.

Adjusted EBIT decreased organically by 37.6%, which is a result of two main drivers. First, as a reminder, Peet's had a high base of comparison related to a one-off EUR 16 million insurance payout benefit in H1 2024. Second, Peet's saw a decrease in gross profit reflecting the interplay of the phasing of inflation and pricing between H1 and H2. This is reflecting that Peet's is a challenger brand in the U.S. coffee market and therefore follows, instead of leads, when it comes to passing through pricing. The level of A&P remained stable in the first half.

In APAC, organic sales growth of 8.4% was driven by an increase of 7.7% in price, and 0.7% in volume/mix, mainly reflecting higher price elasticity in the region. Sales performance was geographically mixed, with strong performances in countries such as China and Thailand partially offset by softer performances in countries such as Malaysia and New Zealand. Organic sales growth was driven by brands such as Moccona, Super and OldTown. The adjusted EBIT for APAC decreased organically by 14.7%, mainly reflecting phasing of productivities this year and last year, and the interplay of the phasing of inflation and pricing between the first and second half. A&P spend was relatively stable compared to the same period last year.

As Rafa mentioned earlier in the call, the three Big Bets: Peet's, L'OR and ten local iconic brands, led by JACOBS, are core to our brand-led strategy and that's where we allocate most of our management attention and resources. This means that we will also closely track how these three Big Bets will perform. In H1, these 3 Big Bets all together had solid performance with a combined organic growth of gross profit of 3%.

Let's now move to slide 19 and have a look at our net profit development in absolute terms and per share. On the left-hand side of this slide, you can see that our underlying EPS, excluding the effect of the fair value change of our equity swaps, has increased by 3.4% to 1 euro and 2 cents. This was mainly driven by better operational performance and foreign exchange gains in the net finance line. When keeping the effect of the fair value changes of our equity swaps on, the underlying EPS increased from 0.76 eurocent in H1 24 to 1 euro and 33 cents in first half of 25.

Let me now share a bit more detail on our Free Cash Flow and net debt developments on slide 20. Our Free Cash Flow generation of 565 million euro in the first half reflects solid operational performance, driven by higher EBITDA, while absorbing a net cash outflow from working capital.

This net outflow in working capital reflects the following movements:

- In the period, Inventories increased mainly on the back of higher green coffee prices
- Receivables increased due to higher sales,
- And this was partly offset by Payables as the increase in payables on the back of higher green coffee prices was partially offset by a Euro/U.S. dollar-related forex effect.

The net debt bridge on the right-hand side shows that our Free Cash Flow enabled us to return 243 million euros to shareholders and reduce our net debt position by 337 million euros, therefore contributing to an improvement of our net leverage to 2.5 times.

Before I update you on our outlook for full-year 2025, I would like to briefly remind you, on the next slide, slide 21, of the refined capital allocation priorities we shared at our Capital Markets Day at the start of July.

As part of our renewed strategy, we'll emphasize creating and unlocking value, by focusing on absolute gross profit growth, adjusted EBIT growth and Free Cash Flow generation. We will deploy our capital in a more disciplined and intentional way, to enable our strategy, and further strengthen our financial profile. Our first priority is to reinvest in our business, especially in our 3 strategic Big Bets, using productivity from within to fund such growth.

Second, as we continue to grow EBITDA and generate strong cash flows, we are committed to building an even stronger balance sheet through cycles and target now a net leverage of 2x. This is more conservative than our previous target of 2.5x, which we successfully delivered in the first half.

Third, we also want to deliver a more consistent return to shareholders. We aim to increase our dividend, gradually and steadily, over time.

And next to that, we will execute the multi-year, EUR 1 billion share buyback program we started in March. As mentioned by Rafa earlier in this call, 38% of the EUR 250 million earmarked for this year, had been completed by the 25th of July. When it comes to M&A, we will deprioritize leveraged acquisitions and focus on organic growth. Our M&A focus will have a bias for asset-light, and, to the extent relevant, explore non-core asset divestitures.

That said, we do believe that in the long run, we are still a strong consolidator in the category. But right now, we are focused on getting our own house in order.

Let me now update you on our outlook for 2025, starting with green coffee price developments, as these remain a very important factor in how our financial performance will take shape.

As you can see on the graph on slide 23, green coffee prices have gone up very significantly and have reached historical highs in the first half of 2025. As you know, we hedge our green coffee price exposure in a very disciplined and consistent way. This allows us to create sufficient

time to take the right measures to offset the negative effect that such inflation would otherwise have on our absolute level of profitability.

It is therefore important to keep in mind that the green coffee prices in H1 2025 were, on average, more than 60% higher than in the same period of last year. And that is exactly why we are implementing significant mitigating initiatives, including appropriate additional pricing, to offset the headwind in H2, and maintain absolute profit levels. Looking ahead, green coffee experts believe that green coffee price developments will remain volatile due to ongoing supply concerns linked to climate, tight stocks and continued speculative activity.

The good thing is, that, to date, we did not see meaningful signs that price elasticity is materially going up and we know that the vast majority of consumers do not lower in-home coffee consumption when prices go up. Having said that, we expect to see some short-term volume pressure again during price negotiations with our retail partners, most notably in Europe.

However, based on the attractiveness of the category, the equity of our brands with our consumers, and the collaborative relationships we have with our retail and Out-of-Home partners, we expect that some volume impact can be temporary similar to what we've seen in H1.

This leads me to slide 24. Our strong financial performance in the first half of the year provides a solid foundation for our full-year results. Looking ahead to the second half of the year, we continue to face significant inflationary pressure and ongoing volatility in green coffee prices. To address this, we are implementing further mitigating actions, including appropriate pricing adjustments. In addition, volume/mix performance in H2 will reflect the impact of the retailer pre-buying effect in Europe that benefited the first half of the year. Taking the strong performance in H1 and these factors related to H2 together, we are confident in raising our full-year outlook: we now expect organic sales growth to reach a high-teens percentage and anticipate that adjusted EBIT will be at least stable on an organic basis. We also continue to expect to deliver a Free Cash Flow of around 1 billion euros.

With that, we've come to the end of our prepared remarks and with that, I will now turn it over to the operator so we can start the Q&A.

Questions and Answers

Operator: Your first question comes from the line of Robert Jan Vos from ABN AMRO, ODDO BHF, please go ahead.

Robert Jan Vos (ABN AMRO, ODDO BHF): Yes, goodmorning all, thanks for taking my question. I have two. First one is, did you experience new delistings already or anticipate delistings with the 13% tail of the remaining customer negotiations. That's my first question. Second question, you increased the guidance for adjusted EBIT quite significantly for the full year. Why is this not reflected in your Free Cash Flow guidance as well? That's my second question. Thank you.

Rafa Oliveira: Yes. Robert, I'll take the first one, Yang can answer the second. On the delistings. No, we have not experienced -- I'll dissociate a little bit the 2 things that you mentioned because in terms of negotiations, no we have not experienced delistings right now because of the price negotiations. And the reality is we had - as we shared with all of you - we had tough January, February negotiations. But then in March, everything rebounded, the volumes rebounded showing the resilience of the category. And so we are still confident in the second round that like a similar pattern will happen with the remaining customers that we haven't closed yet. So not associated to the brands at all that we mentioned on the Capital Markets Day. So in terms of delistings, nothing significant. In terms of the brands, what you mentioned, remembering you're talking about the 33 brands that we talked about on the Capital Markets Day as the tail of brands. I mean we are now doing the work, and we mentioned briefly on the prepared remarks that we are doing the work to see which - and this is all over the globe, okay? It's not only Europe - but which brands, I mean, what should we do with each one of them. So we are going very detailed on each one of them, which brands we should convert into other existing brands, which brands in fact doesn't make sense we should just discontinue and which brands eventually will take different routes or will upgrade into becoming a relevant brand.

I mean, we want to drive this process let's say, proactively. So we will do this ourselves and then come to the retailers on the countries that carry those brands to decide how to operate with them. So it's not necessarily related to the negotiations. But as we said on the prepared remarks, 87% of the global negotiations right now for the second wave is concluded, and there's still like 13% pending, but no delisting expected.

Yang Xu: Then I take the second question. Hey - good morning Robert. No, we are very happy with our first half year results. And as a result, we also raised our full year guidance in terms of adjusted EBIT. As everyone may remember, our prior guidance was a low single-digit decline, and now we raised it up to at least stable. So we're very happy to the performance, but

cautiously optimistic for the full year. However, when you think about the EBIT in the grand scheme of a cash flow, which has been very consistent in the past 3 years, averaging EUR 1 billion. So the EBIT movement by itself, the raise of the guidance, we'll be talking about tens of millions. So that's why in the grand scheme of the Free Cash Flow of the EUR 1 billion, that's why we confidently confirm our Free Cash Flow full year guidance, still around EUR 1 billion.

Operator: Thank you. Your next question comes from the line of Antoine Prevot from Bank of America.

Antoine Prevot (BofA Securities): Thank you and good morning everyone. Two questions from me, please. So first one on pricing. I mean looking towards the second half of the year, so this new price round, considering you have pretty much the same COGS headwind, about EUR 800 million incremental each half. I mean how much additional pricing are you talking about? Like what level of magnitude? And on elasticity for my second question, I mean, overall, compared to like '22, '23, which was the last period of major inflation. I mean, you have much better elasticity around even including the pre-buying in Europe. So I mean, what is different this time around compared to last time? I mean, why is elasticity much better this time? Thank you.

Rafa Oliveira: Antoine, good to hear from you. So I'll take the first one, the pricing first on the second half. I mean, like what we tried to do in our model, obviously, is like to offset as much of the pricing we can with productivity efficiencies then whatever we cannot, we pass through, right?. And I mean as you mentioned, I mean, green coffee prices have remained quite high. I mean, we expect about the same level of price increase that we did in the first half and the second half. So roughly like mid-teens price that will be required. So again, not very different in terms of absolute levels in the first and the second half. The second question on elasticity. I mean what in reality happened, as you know, elasticity in coffee is quite low you know, and it has remained low. In fact, in the first half it has actually been lower despite the price has been lower than historical. So at a very low level. What we do expect is in the second half, you're going to have some elasticity again, back to historical levels you know. So a bit higher than the first half, but still quite low and we're talking accordingly to many years of history here, elasticity depends on, varies a lot by country, okay? Depending on the legacy of the country consumption etc., you can have pretty big value variations of elasticity, but you're talking minus 0.3 elasticity on average. So again, elasticity on the first half was even lower than that. We do expect a bit higher on the second half. So that's the answer on elasticity. You also had a question on comparing -- no, that was it. Yes, that was the answer your first question Antoine.

Antoine Prevot (BofA Securities): Yes. And just as a follow-up on pricing. Is it fair to assume that on LARMEA, considering it is probably more linked to spot price, our pricing level here should clearly decelerate?

Rafa Oliveira: Yes. Yes, it's fair to assume that. Indeed, you're right, the price tends to move, let's say, quicker and the hedges tend to be shorter. So the market reacts much faster, especially in Brazil, which is an important market for us. So yes, that's indeed true.

Operator: Thank you. Your next question comes from the line of David Roux from Morgan Stanley. Please go ahead.

David Roux (Morgan Stanley): I just wanted to get a quick check in terms of your new innovation. Can you just talk about exactly when the pipeline will flow through. And of the newer products that have come through, I mean, what sort of resonance have you seen with your retail partners and customers. And then the second one is, I know it's a smaller part of the business, but could you just quantify the impact from tariffs? I know there is some chat around green coffee beans possibly being exempted from tariffs into the U.S. But in terms of any finished product flow across the [inaudible]. Can you just give us a sort of an update on what you think the impact could be there?

Rafa Oliveira: Just to see if I understand, David, your first question is just an update on where we are in terms of innovation. Is that correct?

David Roux (Morgan Stanley): Yes. Of the products that we saw at the CMD and that you highlighted today, I mean, which of those have you rolled out yet? If not, can you just give us an understanding on the timing exactly of those coming through. And if you have any that have been rolled out so far, what's the feedback been?

Rafa Oliveira: Yes. We highlighted a few that you saw on the CMD and you saw here on the prepared remarks, for example, the coffee pearls. You know it's something that we launched in -- we did a test, let's say, at Peet's stores during the second quarter, like halfway of the second quarter of the year, and it performed extremely well. So now we rolled out not only across Peet's but also taking to different markets, L'OR, and starting to explore. Call it like a new category, the coffee pearls. We are quite excited about that. If you look at the parallel, is the bubble tea, right, which is a multibillion category. So the parallel will be the coffee pearls. I mean the acceptance of retailers, of consumers has been really significant. But in terms of impact on the P&L, frankly, to be material, I wouldn't expect this to be that soon. You'll probably take 1 or 2 years to be a material thing because it's almost like you are creating a new category. But that has been like the green shoots of it have been very, very positive. The same way with what we mentioned here as well is the medium roast in Peet's. It's an extremely important innovation because Peet's was famous or well-known for dark roast and expanding the portfolio of Peet's. You remember from the Capital Markets Day, we showed the details where it's going to be extremely important to have more SKUs in order to come east in the U.S. and conquer the rest of the country with more distribution. So again, the acceptance where we are

distributed has been extremely strong. So those are two that I'm very optimistic with what the results are showing.

The last one I would mention is the platformization, we call it JACOBS and the icons. And the Dubai Chocolate is one example. We already -- like that we launched it in several brands now and it's performing extremely well. We gave the example in the U.K. where it's already the top mix in the U.K. So this product, I mean, we do expect to have a very good return on it. But again, as it flows through the P&L, you remember from the Capital Markets Day, we do model this more towards second part of '26 and then '27 to have a real financial impact on it.

And then on the second question you had on the tariffs. I mean it's just like important to highlight here one thing. We import -- I mean, the main one is that the tariffs will impact everyone, and it's not positive, right? Green coffee prices have been up a lot already globally, as we talked about, as you know. And then obviously, tariffs, it's a small piece of it, but doesn't help. Now the big effect is the tariff from Brazil because as of today, I mean, starting August 1st, so in a couple of days, there is a 50%, 5-0 percent tariff from Brazil into the U.S. and that's a big impact on the industry. I mean remember, Brazil produces roughly 40% of the coffee in the world. I mean, this will affect the whole industry, right? But if we compare to our competitors in the U.S., the proportion that we use of Brazilian coffee is significantly smaller than most of other coffee players. I can tell you, it's more or less, less than 30% of what we consume comes from Brazil and then other players have much more, sometimes above 50%. So that like -- but the expectation is, assuming these tariffs continue to go through, I mean prices do have to go up overall in the U.S. And I mean, on a relative basis, we think we are better positioned because we don't have as much coffee coming from Brazil, but they will have to come up. And so it will be a further impact on passing through price to consumers.

David Roux (Morgan Stanley): Okay. That's very clear. And so just to follow up on those. Firstly, on the Brazilian impact, I assume within your expectation for mid- teens pricing for the second half, that has taken into account? And then the second point on your new products coming out. And would they be accretive at an EBIT margin level, just given the amount of marketing, etc., that's going in?

Rafa Oliveira: Yes. Pricing, yes, it's taken into account right now the pricing. But remember, as Yang mentioned, that in the U.S., although we've been probably pricing ahead of competition, but we are more followers than price leaders, okay, different than in many parts of the world. But yes, it's modelled in already. The margin on the innovations, our aim is always to be accretive you know. I'm not going to tell you like 100% of the innovations are always accretive because it's not the case. Sometimes you'll be incremental absolute numbers or on slightly new categories like bringing new consumers, but it might be margin dilutive. But the aim is always to be. In some of the mixes overall, they have a pretty high margin. So when you're doing, for example, the Dubai chocolates of the world and this type of mix is very high

margin you know. Pearls is a pretty good margin as well as accretive. So if there is one, we have to go one by one. But our target is always to be margin accretive, but it's not going to be always 100% the case.

Operator: Thank you. Your next question comes from the line of Feng Zhang from Jefferies. Please go ahead.

Feng Zhang (Jefferies): Thank you for taking my questions, I've got two. The first one is about the new products. It's great to see that the new products are yielding some early results. Do you have a rough estimate how much of the growth in H1 is driven from this product rolling out. That means is there any factor like retailers building up stocks? Or is it still too early to talk about the impact. And my second one is a follow-up on the Brazil impact on tariffs. Are you looking to change the sourcing in the long term to mitigate impact? Thank you.

Rafa Oliveira: Feng, good to hear from you. The new products impact is negligible, okay? It's not relevant at all right now. It's still very small, and it doesn't affect the P&L. So no effect of it. The tariffs, I mean, the reality is it will be, frankly, impossible for the whole globe to change the coffee sourcing. Let's say, from Brazil because of the size of Brazilian production of coffee globally, as I said, about 40% of the global coffee comes from Brazil. So I mean there's no coffee – there are a lot of other regions developing coffee plantations as you know, and there are many countries in Central America and Africa, in Asia, but it's far away to be able to mitigate the impact from Brazil. So we are, like I said, we don't source as much from Brazil. So we are quite confident and that's a lot because of the positioning of the type of coffee we have with Peet's. I mean we don't source a lot. We source mainly from Central America if you take an average, most of the countries we source, the tariff is going to be around 10%. We don't really source from Vietnam, which is mainly the Robusta one, which is the second largest producer. So the impact for us is going to be quite small. So I don't think we're going to change necessarily the sourcing, but it will impact the whole industry indeed. There are a lot of conversations, rumours that Brazilian producers are going to try to deviate more of that production into different regions because it will be too expensive in the U.S. So there's going to be a shift in the, let's say, the global equilibrium of where coffee goes, and that's expected.

As I mentioned, we don't expect a major shift for us, but it will affect the holdings. Assuming this 50% sticks, which we also don't know if it will change, it could change, but hard to predict.

Operator: Your next question comes from the line of Patrick Folan from Barclays.

Patrick Folan (Barclays): Good morning, thanks for taking my question. I don't know if I missed it. So my first question is just on the efficiencies to fuel brand growth. Can you comment on what the benefits have been there thus far? And has there been any cost benefits that can be quantified?

Secondly, on Peet's, there's been more positive commentary in the U.S. coffee market recently. Should we expect Peet's to continue the momentum we've seen in H1 into H2? Because I think the concern previously has been how high ticket sizes were before. And so I guess, are we now seeing consumers becoming more used to these prices now? Or how should we think about squaring two points of ticket sizes going into the second half versus the wider coffee market in Peet's?

Yang Xu: Patrick, this is Yang, good morning. Let me take your first question about the productivity. As you have heard from us, we were quite excited with our entire productivity program, in which we have specific initiatives behind the EUR 500 million. That is our target. And half of it, we're confident we can deliver by the end of 2027. Now what has happened in this maybe first half year, let me zoom in a little bit. When we talk about portfolio simplification as a concrete example, we announced our closure of our Banbury plant that is a processing and packaging factory in the U.K. On the second bucket, we also talk about synergies in the ways of working within ourselves. So we also just recently announced that we are streamlining and reorganizing our European businesses. We were having 10 clusters, and now we are leaning up into 5 clusters. And on top of that, we also have centralized our entire European finance function into offshore or nearshore GBS function, Global Business Services. So that creates a lot of synergies by the ways of working. The third bucket is we talk about continuous improvement. Earlier on, Rafa also mentioned that our Design-for-Value program is well underway. So we're very pleased to see that the momentum is going on. The last one, focus on asset-light route to the market. We also have announced we're well underway in the U.S. for our DSD. As you may remember, Peet's used the DSD route-to-market, and now we are transitioning into a direct to serve type of business that will be much more asset-light and SG&A light. So those productivity programs are well progressing, and we have very detailed initiatives and owners and timelines.

Of course, for now, like at this particular moment, it's a bit too early to demonstrate all the ways, but for every initiative that we have specific business cases and yields in certain return for us. What we do intend to do is, as we promised, we will report our progress, and as we continue this journey and on a full year basis, we'll be able to give a snap update on that.

Rafa Oliveira: And Patrick, on Peet's, I mean, it's obvious, you can see the numbers. We are very happy with overall performance of the company, right, in the first half, but not necessarily with Peet's. I mean we don't like to see that we declined our EBIT performance in Peet's. And as you noticed, I mean, the reality, as we mentioned also in the remarks, the market has been lagging a bit the cost increase, the overall market. And consequently, we do as well. I mean we haven't been able to price as much as is needed given what happened to the green coffee prices. So this is happening now. And the last signs that we have in the last couple of months have been quite positive on the market acceptance of pricing. So we do think, as you heard in other companies' calls, the market is starting to pick up and consumption is picking up, elasticity

remains quite low. So we are still confident that we're going to have a much better run rate going forward on the Peet's performance. And as you know, it's a critical -- one of the Big Bets for us is the development of Peet's across the country. So short term, I'd say half 1, we were not as pleased with Peet's what could be. The market wasn't as good, but the last few months have been much better. So again, we are much more positive what will happen in the second half.

Operator: We are now approaching the end of the call. We will now take our last question for today. And the last question comes from the line of Jeremy Kincaid from Van Lanschot Kempen.

Jeremy Kincaid (Van Lanschot Kempen): Good morning all, I have two questions also. The first one is just on the price increases that you've managed to put across in the different regions. You've obviously already talked about Peet's and LARMEA, but I was just wondering if you could talk to the price increases in Europe versus APAC. Obviously, APAC is a little bit lower. So I was just wondering as to why that's the case. And then my second question is if we look at the difference between EBIT and adjusted EBIT, the difference is the largest this half compared to all your other halves you've been listed. So I was just hoping if you could talk through the various adjusting items that have occurred this half and maybe give an indication as to whether or not some of these larger adjusting items might continue into the future or not. Thank you.

Rafa Oliveira: Jeremy, I'll take the first one on the price. Yang can explain the difference on EBIT. The price, I mean, as I mentioned here. We do expect pricing in first half and second half roughly about the same levels, call it like mid-teens in Europe. And again, we've implemented in the first half, as the beginning of the year, we had a lot of pushback eventually to - we believe the strength of our brands and then the good relationships we have - the prices went through and the volumes fully recovered. So elasticity, as we mentioned in the full year call in February, I mean the impact you see in volumes sometimes is very short-lived because of retaliations. But then the consumption, which ultimately is what matters, remains strong and we recover the volume as you see on the full year results. So again, we are right now in the middle of these negotiations. As we mentioned, globally, we have 87% of this concluded. So there are still a few customers that we need to sign off and be there on the shelf. Again, we do expect this to be implemented. We do need this to be implemented. And consequently, we'd also expect slightly higher elasticity, as I mentioned, than in the first half. But I mean, it hasn't happened before to have 2 price increases of this same magnitude in 1 year. So it is very high. Unfortunately, that's what needs to happen for us, for the industry. So we do expect a bit higher elasticity, but not significant and it's modelled already in our guidance. So for this I mean, that's Europe.

Asia, it's a bit different because the mix in Asia is very different. I mean, there are a lot of mixes, which is like not only coffee or pure coffee, but it has milk, sugar, other components on the products. So the impact of green coffee is smaller, albeit still high, but smaller overall. And

in some countries, we saw a higher elasticity in countries. As I mentioned before, elasticity can vary quite a bit globally. But in some countries where coffee is not legacy coffee country, you saw more elasticity overall in consumption with the price increases. So that has taken a bit longer, and consequently, what we are putting through, as we said, we are a pass-through company, a pass-through category, and we're going to pass-through everything that we need apart from what we can avoid with efficiencies. So this price is happening as we speak, and it should see a bigger impact. Maybe Yang can take the EBIT adjustment.

Yang Xu: Yes. Jeremy, I'll take the second one. As you see the adjustment, first of all, I think it's important to lay out that it's a very consistent approach and methodology versus prior. However, it is true that this year, in the first half year, we have a big swing of mark-to-market results. So those are the derivatives, particularly for the commodities of our hedging that we have a mark-to-market swing year-over-year, almost a little bit more than EUR 140 million per se by itself. But of course, it's not yet settled and just a point in time of how the market is trending versus our hedging. Beyond that, smaller things, for example, the amortization of intangibles, that's mostly driven by, because we sold off our Ofcay business. So some of the old books and the noncash item is written off. So that's the entire swing coming from that. Share-based comp is, I have to say, is much more representative for the ongoing basis because last year, there was a one-off because of the departure of an executive, so that's the full picture for last year. So last year's comp base was lower, this year is more representative. Rest of them are transformation activities, as I earlier mentioned, is squarely to support our productivity program. So in terms of our Banbury manufacturing closure, was related to our operating model changes and so on and so forth. So those things have a specific return and initiatives that support our overall productivity program. I hope this answers your question.

Operator: Thank you. And I would now like to return the call to the speakers.

Robin Jansen: Thank you Sharon. Ladies and gentlemen, thank you very much for attending today's earnings call and for taking part in the discussion about our results. If you have any additional questions, please do not hesitate to contact the IR team. We're happy to answer your questions. And again, thank you very much, and enjoy the rest of your day.

Operator: Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.

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