Transcript Q&A Capital Markets Day, 1 July 2025

Questions and Answers

Robin Jansen: Thank you, Yang, for your presentation. We will now open up for Q&A. And to make sure that we can hear your questions well, there are two ladies in the back with a microphone. So, if you would like to raise a question, I would be grateful if you would like to raise your hand, and then I'll try to, let's say, allocate the people with a question, and then the team here will take your questions.

And when you actually want to raise a question, it would be great if you could state your name and the company that you represent. It's good to know as well. So, I see that you're ready for the Q&A session. So, with that, who would like to ask a question?

Jeff Stent (BNP Paribas): It's Jeff Stent from BNP Paribas. You probably don't know my wife, but if you did, she would testify, it's very rare that I give any compliments. So I would just like to compliment you on this morning. I think it was a really great and quite refreshing for some of us, like myself, who've watched JDE Peet's, and even its predecessors over quite a long time.

Which leads me to my question, we're not going to be looking up until 2030, and I'm kind of wondering, given how good this morning was, why is it going to take five years for us to be looking up?

So, have I misjudged how good this morning was, or are you simply low-balling and we should think about these being objectives that you'll hopefully surpass? Thank you.

Rafa Oliveira: Maybe I'll start here. Jeff, thanks a lot for the kind words. I'm very glad that the information we shared and the clarity that we want to provide is coming across.

The reality is, you heard me saying many times and you heard us talking about prioritization, right? There is a temptation, obviously, when you're running a business that wide in terms of one category, but wide in terms of geographies and brands to try to do everything, right?

But, the reality is we want to focus. So, the reality is, in the first couple of years, we want to focus on the efficiencies that we have, the productivity gains and start organizing the house.

The look apart, by definition, in order to be meaningful on impact on the financials, we need to start now. So if there is an opportunity of innovation, if there is a geography that we might see, a good opportunity of partnership, we're going to start seeding this.

But you're not going to see the results of it straight away. You're not going to see the benefits on the P&L straight away. So, that's what we mean. Like, financial returns should come as a model on the lookup. But, and obviously, if we can materialize them earlier, we will. But the reality right now, is about focus and organizing the house, as Yang put it. And making sure we deliver on what we are saying, we're going to deliver on a consistent basis. I don't know if anyone wants to complement?

Robin Jansen: Who would like to go next?

Jon Cox (Kepler Cheuvreux): Yes. Jon Cox, Kepler Cheuvreux. Maybe two questions. One on the financials. You haven't outlined the costs of the savings program. Just wondering how much we should expect in those so-called adjustments, which we've got used to over the last few years, and what your thoughts are on that adjustment line for the next couple of years.

And then, a broader strategic question, I think those have covered you, you know, going back a fair way. I think the last time you've been talking about Senseo and Tassimo, are those systems no longer important for the business? And just as an add, on your smaller brands, these 33 brands which represent less than 5% of gross profit, will you be exiting those brands? Thank you.

Rafa Oliveira: Thank you Jon.
Maybe you start with the financials, and then we'll try to take each one of the questions and you can complement on the brand.

Yang Xu: All right, Okay. So I'll get started. Thank you for the question. First of all, I think the EUR 500 million of productivity is a program that we're really passionate about. Not only passionate about because we see the opportunity, it's not cost-cutting simply by the fact of the cost-cutting, but it's structural. That's why we spend a lot of time talking about each of the buckets.

Now, yes, it's true that some of them would have the cost to get like one-time/no recurring in nature, but many of them do not. When you think about simplification, really getting the complexity out of the system. When you think about better procurement, when you think about continuous improvement, many of the programs actually do not have to incur a lot of one-time restructuring costs per se, but some do. It's fair enough. If it concerns footprint related questions and if it's sometimes organizational simplification, that could incur one-time restructuring costs.

Having said that, currently our estimate is anywhere between EUR 90 million to EUR 120 million, but across different years. So that's why the cash impact of those things are not really meaningful in the grand scheme of EUR 1 billion a year of cash generation. So I hope that answers the question.

Rafa Oliveira: Yes. The second question Jon, about the machine part of Senseo and Tassimo, the way we are looking at this. As you heard and as I mentioned in the presentation. Many times, this company used to look at different models, sometimes trying to win the category, sometimes the brand, sometimes the channel. What was the priority or the technology? What was the priority? So we have made a very clear choice of choosing the brands, the brand-led strategy that they will lead the growth.

Now, that said, we do have some models and some machines, they are very beautiful, and actually, very profitable as well. And we do see this as more of a channel of delivery than a brand on itself.

So for Senseo, for example, anyone that is a Dutch here will know how this disrupted the market 25 years ago. It’s simple filter coffee pads, but it has not given the right attention that we believe it had.

So we are looking on a project of reigniting the Senseo machines, for example, but not necessarily as Senseo as a brand, but Senseo as a system to deliver our brands. So that's one.

And Tassimo, in a way, same thing, it's going to be a brand, a system to deliver the multiple brands. If that's the way consumers want to buy our products, and in a certain aspect, through the Tassimo machine, we will continue to deliver that. But we're not going to see the machines being the hero of our strategy.

The third question on the tail brands, the 33 brands, do you want to start answering this?

Ricard Barri Valentines: Yes, absolutely. Because it's an area of our strategy that I'm very passionate about, because I'm the first one who's cognizant about the cost of that complexity and the inability then that put all those resources to invest behind our big bets.

Now, the reality of the matter is that we're not going to follow a cookie-cutter approach. Each and every single one of these brands will have a specific program, a specific program that is also going to be based on the learnings that we have built on the past, because we have experience doing that.

Just to give you a couple of examples, I think, five or six years ago, we transitioned the whole of Carte Noire into L'OR in the U.K. quite successfully and enabling growth for the brand. But as well, recently in Switzerland, we have taken one of these tail brands called Medaille D'or and we converted it under a range of Jacobs, which has now given us the opportunity to start driving the brand across multiple categories.

So, we're going to put a plan in place and we're going to be providing an update. But that's how we intend to take care of the tail sooner than later.

Robin Jansen: Any other questions?

Alexander Poess (Bank of America): Hello, there. Alexander Poess, Bank of America. First of all, thank you for all the great presentations today. I have a quick question. I was wondering, in all the profitability guidance you give, is that excluding any assumptions about green bean coffee price inflation, or is it fair to expect that it would be better if we see continued price deflation, or is there any expectation about that baked into these numbers, or are they just excluding that factor?

Rafa Oliveira: It's excluding. Yes. It's net of it. I mean, as Yang said, we don't believe we are a company that should be based on what the green coffee price that generate volatility on our top line. So that's not how we manage the company. We manage the company on the gross profit, on EBIT, on the cash flow that generates. So, yes, it's excluding everything. I don't know if you need to complement?

Yang Xu: Yes. I just also want to re-elaborate, because it's important for us. Like, green coffee cycles, at the end in lower period of time, it does not really matter why that is. It's because of our discipline of hedging and pricing, it always correlates with the coffee inflation.

Earlier this morning, I got questions about: why you don't guide top line? Because top line, at the end, does not really matter right, because it will go up and down. So that's why. So regardless of a commodity cycle, what really matters is the bottom line expansion.

Bing Zhu (Rothschild & Co Redburn): Thank you for taking my question. It's Bing from Rothschild & Co Redburn. I have two questions here. So the first one, the strategy you're talking about is brand-led, but I believe your organization structure is still region or cluster of region. Can you talk about how you align the organization structure and incentive to the new brand-led strategy? That's my first one.

And the second one, on the performance matrix, Yang, you talk about, because of the pass-through nature of coffee, it's not meaningful to talk about the margin, organic sales growth. But, over the long-term, with premiumization, with innovation, improvement in channel mix, do you think that you can reduce the impact from these green coffee commodity cycles fluctuations? So, two question. Thank you.

Yang Xu: I can start with the second one. Yes, of course, like-for-like, you can imagine the strategic big bets also enable us to premiumize the whole portfolio, right? When you think about Peet's, when you think about L'OR, yes, of course, apples to apples you would expect it to have an expansion in terms of mix.

And on top of that, tactically and surgically, earlier on, Rafa said, we also have a lot of intention behind commercial excellence. So, the revenue growth management, the mix management, all those kinds of things will come along to help with that financial profile.

But what we're not guiding is, because, in y-o-y or over the time, it's not a true representative, that does not mean that we're putting our eyes away from intrinsically mix.

Rafa Oliveira: Yes. And thanks for the question on the ways of working in the organization. You're right. Today, we are organized on a regional basis. And, frankly, we will continue on that for now, because, I mean, the problem before was that we were organized completely independent on each country base, and now, we want to drive more synergy, and how we organize ourselves together.

With that, there is a central team for the brands. Keeping some clear guidelines where we want to take each brand. So, for example, Peet's is a different situation, because it's mainly U.S., so it will be run by the U.S. team, so we are not going to centralize this.

But then, the platforms, the execution, the last mile is done on a country basis. But then you have a central team that is playing kind of the midfield and see, where are the seniors? How do you allocate the capital better? How do you do the innovations? And then deploy this for each country to execute.

So there is an adjustment for us to still make on how we're organizing ourselves. Part of it is already done, but we are going to continue to adjust, especially on the platform ones. I don't know if you want to complement.

Ricard Barri Valentines: Yes. I think that you covered it quite well, Rafa. But, as we speak, I'm already reorganizing, or I have the intention to reorganize the marketing function in line with our strategy, because I strongly believe structure follows strategy, and now we need to set up in order to deliver against our strategy.

And in that sense, we're going to see a higher role for the brands in the central marketing function to make sure that we orchestrate the world in line with the impact and the synergies that we want to deliver. Thank you.

Robin Jansen: Thank you. Reg?

Reg Watson (ING): Appreciate your explanation about green coffee prices and the focus on gross profit and cash flow. Those of us, and I think there are many of us in the room still who were here five years ago, will remember that that point was made at the time of IPO and a particular metric was introduced, EBIT per cup, as a way of measuring that gross profitability, and also the premiumization of the portfolio.

Could you tell us why that metric was abandoned and whether or not you have any plans to reintroduce it?

Rafa Oliveira: Look, it's very hard to comment on what was done five years ago. As you know, I've been here eight months, trying to take the best of what existed, and then try to adjust the company for going forward. I mean, we still look at consumption on a per cup basis internally to understand how movements are happening.

But, as a guideline, I think it's clear that we focus on how the gross profit of the company is doing, how the generation of the cash flow is. So, hard to tell. I don't know if you have any comments, why it would have been abandoned.

Reg Watson (ING): Okay. So you use it as an internal measure now, why would you not share it with us?

Rafa Oliveira: We have to make choices which ones are the most relevant metrics to share. I mean, we have a lot of other metrics. We didn't talk about market share. We obviously look at market share. We look at price on a country-by-country base. We will look at the difference.

Reg Watson (ING): We would be delighted if you shared market share data with us too.

Rafa Oliveira: No, but we will look at the price difference versus our competition. We will look at the velocity per region, per country. We will look at the share of shelf.

Reg Watson (ING): Yes, please.

Rafa Oliveira: There are a lot of metrics. But I'm just saying, like, we have to choose which ones are the outcomes that are relevant. But again, we, as managers of the company, we have to analyse a lot of details in each one of the segments.

But, I mean, in the end, the outcome that is easier for tracking the performance is the gross profit. So we don't have a problem with lacking of data, and definitely not of lacking of looking at these details.

But again, as we mentioned today, the theme of simplifying; we want to simplify our lives and your lives. In terms like, what really matters and you're able to see the direction that the company is going.

Reg Watson (ING): Okay. Thank you. And one of the other things was transparency.

So thank you for providing an update at the first quarter. I might also make requests, without simplifying too much, that you provide actual financial information, rather than just simplify things are going okay or they're not going okay. So, anything you can do to improve the disclosure at the quarterly would also be much appreciated. Thank you.

Rafa Oliveira: No, thanks for the comment. I mean, I hope you understand. I mean, first of all, regulatory-wise, we need to do it on a semi-annual basis. But the reality is, there's a lot of work that goes into preparation of every detail in order to share it externally.

And I think you, as a shareholder or analyst, I mean, you would appreciate that you want us to run the company the best way possible and not necessarily waste too much time preparing information in order to share.

So, I mean, we have a commitment of transparency. We will share everything that we can to have a good assessment of how the company is going. And as we've been doing since I joined, personally, I did roadshow meetings, met a lot of people, to try to understand what are the demands, what's working, what's not working. And we're going to take every suggestion and consideration into account.

So I hope and I think you already recognize it as a step forward. We are trying to be more transparent and trying to share the evolution of the company. The more information we can share, the better. But, recognizing there's a lot of work that goes behind this. So, we'll try to manage both. Yes. Thank you.

Robert Jan Vos (ABN AMRO – ODDO BHF): Robert Jan Vos, ABN AMRO - ODDO. Two questions. You talked about EUR 250 million reinvestment, and you gave the CapEx number that you expect will be increased by EUR 30 million to EUR 50 million. Can you maybe also elaborate on other components of that reinvestment amount? For example, the step up in A&P and maybe other investments, for example, in pricing. So can you quantify these a bit more?

My second one is follow-up on the previous question. Did you say that you will update the quarterly similar to what you've done at Q1? So, purely, qualitatively or will it include some financial metrics, like sales or maybe organic sales growth? And maybe you can elaborate on that as well? Thank you.

Rafa Oliveira: As I just said, we can talk about organic sales, but that's not relevant for our company. So, I hope it's clear that we don't continue looking at this company at organic sales because it's the wrong metric for it. But that said, to look at the past and the short-term, we are always happy to share.

Right now, we are looking to update as we did in the Q1, which, as I said, the company never ever did that. We are going to start updating. The amount of detail that we're going to do going forward, it needs to be discussed and we will analyse. But, at least, we are trying already to show you the direction that the company is going, so you don't have this hiatus of six months without information.

Robert Jan Vos (ABN AMRO – ODDO BHF): Sorry that I mentioned organic sales growth. Of course, that's for example, sales. Will you report sales per quarter? Because, just saying that you're on track to reach your annual targets, is a bit helpful, but not extremely helpful, of course.

Rafa Oliveira: Yes. My experience with providing data is that's never enough. We just heard, like, whatever we provide, you want more. So, we can continue to provide and there's always going to be a request for more.

I mean, as I said, we have a commitment from us to try to always provide you the guidance and the direction where we are going, and any relevant thing that happens within the timeframe, we will share. I mean, that's the commitment we have.

What exact information that will be, will depend a lot on how we can organize ourselves to do it in the most efficient way. But we'll always consider, like, we hope that we're always going to be evolving and doing something better in the future.

Robert Jan Vos (ABN AMRO – ODDO BHF): Clear. And my second question on the EUR 250 million. Thank you.

Rafa Oliveira: You want to take that?

Yang Xu: Yes, I can take that. Actually, we specifically put on the chart because everywhere there could be investments, but those four areas are most important and have relevant, meaningful money behind them. So it's A&P, it's our capability building, it's our sustainability, it’s our capacity expansion. So if you were to model that out, those are the four most meaningful areas.

And then there's also sequencing as we talked. Then, first is A&P, and then the rest will follow. So, I hope we're not going to be too precise, how much euros that we're going to put behind them exactly. But, to modelling purposes, you can say, those are the four major areas and with the sequencing, if that helps. Yes? Thank you.

Robin Jansen: Olivier in the front.

Olivier Nicolai (Goldman Sachs): Thank you. Olivier Nicolai, Goldman Sachs. Two questions, slightly more short-term. But, could you give us an update on the private label penetration in Europe, which has been gaining shares so far this year and how you see this evolving?

And then, secondly, considering the current coffee price inflation, do you think you've taken enough pricing so far this year to offset it?

Rafa Oliveira: Yes. I'll start with the second, Olivier, if you're okay. Because we are not going to comment a lot on the results. As Robin said in the beginning, we'll talk about results in three weeks when we release our results and we'll be able to give more update where the coffee price is.

But the reality is, we are going through a second wave in Europe specifically, okay? In the rest of the world it actually happens on an ongoing basis. But, in Europe, we are going through a second wave of pricing right now, as we speak. I mean, it's going to be a dynamic negotiation as always, especially in some countries. And we are confident that, with our partners, we're going to get through.

It's necessary to put the price on. There was a lot of disruption as we put on the press release on the first one. In the end, it came through as we expected, as we needed. Because, again, the dynamic of European negotiations, sometimes there's a lot of conflict, which, frankly, I don't believe in, I believe much more on the partnerships and growing the category together. And that's what we're trying to drive.

But again, we are in the middle of it, confident that we're going to get through. We might have some disruptions in the short-term, as we did. But the strength of our brands proved in the first wave, and quite confident is going to prove again, that we can continue to put the price through, and get the volumes back and continue to grow this category, which builds on the second part of the first question that you had on private label.

What happens, actually, if you look along long-term basis, private label has been quite stable. On a few years basis it has been quite stable. When you look at very short-term, as you described, there is this disruption of negotiations, right, because it happens.

What our models or what our history has shown in this category is that you might see private label gaining or losing share in short-term, mainly because of negotiation disruptions. But then the habits of coffee are quite inelastic.

So, there's inelasticity on the amount of coffee you consume, and on the brands that you trust and keep. So, there are waves of premiumization and they happen and people keep upgrading the brands, but they happen slowly.

So vis-à-vis private label, I mean, we don't see a big risk on the short-term or even on the long run. But, again, if you have, as we had in January-February, disruption on the trade, yes, ultimately you want your coffee, if it's not there, you consume the private label that is available.

And to be brutally honest, we might lose a little bit because there is not zero elasticity, right? So you might lose a little bit. But, overall, this number is small. So it's not, let's say, a major concern. Is there anything to comment on?

Maarten Verbeek (The Idea): Maarten Verbeek, The Idea. When I look at your financial targets going forward, I do notice that your free cash flow disproportionately grows when compared to your EBIT and gross profit. Could you explain it? Because, the growth in your free cash flow, I cannot explain by your EBIT growth.

Yang Xu: Maybe I can clarify a little bit about that. So, first of all, the cash flow numbers I put are cumulative. Actually, allow me to elaborate why sometimes I think about the cumulative. Because sometimes green coffee cycles have some impact of working capital. So, that's why, on average, you can think it’s about a billion every year in the first stage, more than EUR 1 billion every year in the second stage, and expanding from there, EUR 3.5 billion across three years. So that answers the question. So maybe I didn't articulate that enough.

Maarten Verbeek (The Idea): That clarifies.

Yang Xu: Okay.

Rafa Oliveira: It wouldn't be bad if we double the cash flow for you. That would be a target. But thanks for the credit.

Maarten Verbeek (The Idea): Talking about other indicators, could you more or less give some information, how do you think your working capital will progress going forward, is there a kind of ratio to your sales and also your CapEx to sales?

Yang Xu: Working capital, actually, I'm pleased that the company has a cash focus, and this is one area I really do think there's a lot of discipline around that. Net working capital has been a net contributor to our cash, and I anticipate it will continue to be so.

But having said that, I think there's AR inventory and accounts payables, and they all play a different role and different dynamics. Net-net, all in all, it is going to be a net contributor in the long run.

Maarten Verbeek (The Idea): Could you provide a certain ratio?

Yang Xu: So, if you want to know each of the components?

Maarten Verbeek (The Idea): The total, the grand total of your working capital to sales.

Yang Xu: Right now, we have a percentage, right, and at the end, you have to think about days, because we say the top line sometimes goes up and down. In days, our accounts receivable is less than 30 days, which is just reflecting to the trade nature of our business, which is pretty good. Sometimes you will have some country mix and noise there, but, by and large, quite strong.

Inventory is a little bit over around 100 days, and that's reflecting the cycle from green coffee to processing, to packaging, to distribution. I think there are small opportunities for us to fine-tune. Early on we talked about SKU pruning and this and that. That should be able to help a little bit.

In terms of accounts payable, the accounts payable cycle is quite long, and right now it is over 200 days, and that's reflecting the relationship and negotiations that we have with big trading companies and co-ops.

Because, as you may imagine, we do not deal with millions of our coffee farmers, but we go through in a more asset-light way through the trading companies and international big co-ops. So we have good relationship with them and we negotiate good trade deals.

Now, on balance, I think in the economics, if there are opportunities to say if I can get better economics in return, give us some trade terms, as long as it meets my hurdle rate, we will not hesitate, but, gradually, over time.

Maarten Verbeek (The Idea): Thanks.

Yang Xu: Yes.

Robin Jansen: Here in the middle.

Michiel Declercq (KBC securities): Hi. Michiel Declercq, KBC Securities. Thanks for taking my question. The first question would be a bit on the outlook. Just previously, you always mentioned where you targeted the mid-single-digit organic EBIT growth. Now, if I look a bit at the end of your current ambitions, you're guiding for 5% to 8%, despite the fact that the savings will be more front-end loaded.

I'm just trying to understand a bit why the pickup then. Is it just a moment in time, a certain period that you expect to see the benefits of your plans, or is this the new long-term growth rate that you are expecting?

And the second question would be, you emphasized, again, a bit the importance of the stores in the U.S., particularly, and in the past, or in the recent conference call, you also mentioned that you haven't been great store operators.

I'm just wondering, now, you're focusing more on this asset-light franchise model, are you also planning to convert stores that you currently operate into a franchise business, or how should we see this going forward?

Rafa Oliveira: I can't take that, but you want to take this question on the second part? And then Yang.

Yang Xu: Okay.

Eric Lauterbach: For the second part, I think, consistent with what Rafa shared before, we are not going to operate the stores at scale. So I would expect us to convert the majority of our stores over time to operating partners. That's the cleanest way I can answer.

Rafa Oliveira: Yes. But, we are evaluating the best way to operate those stores, our financial model is not dependent on the growth of stores, although having stores in certain locations is a cherry on the cake, like, it helps build the brand.

But as soon as we have evaluated that, as soon as we have more clarity what will be the right model or who will be the right partners, et cetera, we will communicate this to the market.

Yang Xu: And in terms of ramping our financial profile, you said right, at the very beginning, it's much more about harvest to half our productivity a little bit front-loaded, and that's why you're already at 3-4% of EBIT. Because we're very conscious, when you put the money behind the big bets, but should not be at the cost of your margin not expanding. Historically, we have not been. So that's why you already see a bottom line expansion already.

But, of course, as you build the capabilities, as you ramp up the big bets, they have a ramping up curve. So that's why a little bit further, in the second phase and third phase, you can see a clear ramping up of all those areas, and your productivity is coming back, more or less, to a steady state stage.

So that's why you continue to see some of expansion in terms of operating leverage, but your gross profit expanding faster, and then the drop on to the bottom line, because as you continue to grow, you obviously have a higher profile in terms of profitability expansion.

Now, if you compare this to our previous guideline, I'm nerdy, right? So I always do my financial numbers. If you add all those years together, it does also correlate more or less into a mid-single-digit across the different phases.

Michiel Declercq (KBC securities): Okay. Thank you.

Rafa Oliveira: Thank you.

Robin Jansen: Great to see all the questions from the room, but I also want to be a bit respectful of time. So I would like to take one last question from Tom in the back.

Rafa Oliveira: We can get a couple more.

Yang Xu: Yes.

Tom Sykes (Deutsche Bank): Thank you very much. Tom Sykes from Deutsche Bank. I just had a question. We've had a lot of focus on younger consumers, and just in terms of how your marketing spend is going to evolve. What's happening to the cost of customer acquisition within the category, particularly for younger consumers? And do they have the same degree of brand loyalty that you may have seen in the category from older consumers?

And, perhaps, what's your infrastructure for content creation sort of now, and how you'd expect that to be in two to three years' time, please?

Ricard Barri Valentines: I tried to be as transparent as I could during my presentation, and I'd identify creativity as a multiplier as one of the gears of transformation, and said that, quite frankly, we have some work to be done here. So actually, a lot of the work that you are asking for, is this fine at the moment?

I have a point of view, though, on how things are going to evolve, although I want to leave room to my team to have an opportunity to build on it. I believe in hybrid models. I think, in three years from now, probably from a content creation perspective, we're going to be looking at a mix of internal creative services with big holdco companies with more independent boutique agencies, because from all the people that I have talked in the industry, a hybrid model is what seems to work better.

From a cost of acquisition perspective and loyalty from a younger consumer perspective, quite frankly, when it comes to the laws of growth, and we still follow the Ehrenberg-Bass Institute, we don't see major deviating patterns of behaviour as it relates to loyalty on younger versus older consumers. Actually, loyalty tends to be quite often a result of your penetration. And in a way, it can be modelled. And again, according to the evidence that we are managing today, we don't see major differences.

And from a cost of acquisition perspective, quite a lot of discussion in the industry. Actually, we're going to be moving forward. I'm sorry. Today, we're already investing 56% of our investments in digital media. And we continue to optimize those models to make sure that we maximize the return of investments. There is a benefit on continue to buy TV, because from a marginal perspective, it remains cheaper. But we continue to work with our media partners to optimize that mix as we move forward.

Tom Sykes (Deutsche Bank): Okay. Thank you.

Rafa Oliveira: Tom, to be brutally transparent with you, I mean, I think we already started to make this transition. I mean, so there's a lot happening already. But we are not where we need to be. That's the reality. I mean, three years from now, I hope to have a very different conversation with you, that where we are, but it's not where we need to be. So, it's a process. But it already started. But it's a process.

Tom Sykes (Deutsche Bank): Thank you.

Yang Xu: Maybe you take a couple more questions because of the interest.

Robin Jansen: Okay. Well, I know there's one more all the way in the back.

Rafa Oliveira: Great. Just let's finish those three.

Yang Xu: Okay. Three, then yes we finish. Okay, good.

David Roux (Morgan Stanley): Thank you very much. David Roux for Morgan Stanley. Perhaps three questions for Yang. Have you actually disclosed what your A&P spend is as a percentage of revenue? That's the first one. Then the second one is just going back to your focus on earnings, will equity derivatives still be part of your adjusted earnings? Just given that it's non-cash and it skews the operational transparency. And then the last one is just on the 33 tail brands that you mentioned contribute 5% of gross profits. Can you give us a sense of how much revenue they contribute? Because I'm just trying to get an understanding of what drag it's been on the margin.

Yang Xu: Rafa, you want to take the first one?

Rafa Oliveira: They contribute less than 5%. But anyway, you can complement on the equity derivatives.

Yang Xu: I will do it, yes.

Rafa Oliveira: You can do it. But yes, we actually share both. We have with and without. That's what we did.

Yang Xu: Because David is absolutely right. I mean, when I evaluated the outside in view, I couldn’t make much sense of the EPS. So, that's why when I dug further, I realized there's an equity derivative. And once you mark-to-market, for example last year, our prices came down, you have a negative mark-to-market this year. Up to now, there is a bull run. So, you have the reverse side.

So, what we commit to and what Robin will also say when we talk about EPS, we will if we haven't been - we tried recently already, that's my understanding - but we will be able to talk about underlying EPS without such noise, I think is much more representative, yes.

Rafa Oliveira: We'll give you both.

Yang Xu: Yes.

Rafa Oliveira: So, you can see exactly what the impact.

Yang Xu: Yes, it should be so that you can see how much it is. On the A&P, no. But because early on, Ricard was saying the first and foremost really to make our money working harder. And I think that's really important. A&P per se, of course, in the long run, when you model, you have to model about A&P increasing, right? Because we're boosting all the big bets. By the end, in reality, we want to make our money work harder. And that's why. Ricard, if you want to complement.

Ricard Barri Valentines: Yes. And you mentioned about A&P as a metric of your net sales value. I mean, the same way that we're going to be focused on GP as a key metric, we're not going to be tracking A&P as a variable of net sales value because it gives you the complete wrong indication. But when I'm looking at the resources that we have available today from a marketing standpoint, I think that it's more than enough, provided that we realize all the efficiencies in ways of working. So, in that sense, my commitment for the team is that I'm going to work harder than what we did, before I come and I ask for more because there's ample room for opportunity.

David Roux (Morgan Stanley): Okay, thank you.

Rafa Oliveira: Yes, just last two, yes.

Feng Zhang (Jefferies): Hi, thanks for taking my question. I have a question for both of you, actually. Given you all just started 60 days ago, how aligned you are in terms of this cost-saving plan? Are you 100% agreed with each other? Second question is about the new rollout in terms of innovations in cold brew concentrates. I suppose that the cost saving there is apparent because you're rolling out in every similar product in different markets. But what's the opportunity for existing products in terms of savings? What's the risk in terms of losing local market taste? Thank you.

Ricard Barri Valentines: Maybe I can clarify that latter question because I didn't have a lot of time to go into the details of the program. It is by no means our intention to now take our local icons and Jacobs and make the same thing everywhere. I think that it's very important to understand these brands, differentiate their portfolio architecture, because today most of the sales are done on what we call our flagships.

I'm going to give an example that's close to home, Douwe Egberts Aroma Rood. This is the base of coffee culture in the Netherlands. And the last thing that we're going to do is touch that blend. But then we have what we call our elevated ranges, which are much more focused in driving innovation. And here is where platforms play a very important role.

But even then, on the last mile, remember I said we're going to trans-create for meaning and distinctivity. If in a certain region we see very different preferences, of course, we're going to adapt because at the end of the day, it's not only about driving and agenda efficiencies, but it's making impact. And we only make impact when we delight our consumers with the products that they want. But the big shift here is that instead of now starting the task with 10 different briefs, we're starting all together. And only when we need to have the right differences, then it's where we apply them. So, hopefully, this provides a bit more clarity in the model.

Rafa Oliveira: Yes, and on the question about the efficiency, I mean, you can complement, I think you mentioned 60 days, but I can say we are fully committed to it for 100%. We are coming here, not only in front of you, broadcasted, press releases, everything. And tomorrow we have here - they have already been part of this analysis - this discussion with the 100 top leaders of the company that are coming here in this same room to start analysing how we're going to execute all of this. So, yes, it's not only the four of us, but the whole company, who are fully behind. So, yes, we really believe in it. I don't know if you want to complement anything.

Yang Xu: Yes, I think the four, actually, the 22,000 of us is like in a marriage. You figure out the differences and divide and conquer. But at the end, the direction is super clear. It is to roll up the sleeves and get it done. The good news is we know some of us been there, done that, and we're fully confident. Yes, we'll do it.

Robin Jansen: Last one here from Olivier.

Olivier Nicolai (Goldman Sachs): Thank you. Olivier Nicolai, Goldman Sachs. Just one quick question. Maybe it's not that quick, but could you give us an update on the EUDR since that has been postponed by a year, I think it's going to come up in December.

Rafa Oliveira: Frankly, as you know, it was postponed right at the end of last year, right? So, frankly, we are ready. I mean, it was a year postponed. But again, because everybody had to be ready, if I'm not mistaken, it was the last week of the year that it was postponed. So, it didn't really give a lot of chance for us to not be ready. So we are ready for it.

There are still discussions happening now of how the certification of it will be. So, the certification of the directive of what you can consider deforestation or not, if it goes to the last mile, if it can go by region, there's a lot of discussion still happening on the industry with regulators. But again, for us overall, it's okay now. It's a model, it's happening, not a big deal.

Robin Jansen: Well, once again, thank you very much for your questions and your engagement. Very much appreciated. And thank you to the presenters. And I would now give the floor to Rafa for the wrap-up and the closing remarks.

Rafa Oliviera: Well, first of all, I would like to thank everyone for being here, for listening to us, for the interest in our company, and the analysis as an investor. I mean, we really appreciate you taking the time, either traveling, we had people from the U.S., people from even Canada, all over Europe, and definitely here in the Netherlands. So, really appreciate you coming, discussing, and listening to us. I appreciate your time.

I mean, I hope our strategy is quite clear. A couple things didn't really change. I mean, we're confident on the coffee industry. It's a great coffee, a great industry to be in. We really believe in it. We gave you the reasons for it. It's not different. And the second is we believe we are positioned to take advantage of that. That's JDE Peet's. We have the fundamentals and the company to take the maximum of it.

But now, what we are changing in the strategy is going to a very strict, brand-led strategy where we're going to be very intentional on our big bets, where we are simplifying the organization with productivities in order to fund this growth. And with that, we will fund our capabilities or the key four capabilities that we believe are essential. And by delivering that, we're confident that we will deliver very consistent, transparent cash flow, growing cash flow to investors, and then return to all stakeholders.

But it's not only me saying this or the four of us here. There have been a lot of people that were involved in preparing and are already living on those plans. And they are feeling the energy. As I said in my presentation, I mean, this is important. The cultural change that is happening in the company, the transparency, the energy, the ownership affects all 20,000 people.

So, I wanted to read just two quotes that we got recently, the one my team received from one of our employees, just for you to have a sense of how people are behaving. Because, again, it's more and more people getting involved into it. The first one comes from Paula. She runs our partnership model. And she said: Rafa, we are now encouraged and empowered to think beyond, outside the box, and beyond our daily scope, constantly pushing the limits of what's possible with bold and disruptive ideas, while leveraging the power of a diverse team. So, very good to see that.

And then also from Viral, from the sourcing team. This is a metamorphosis. With this new mindset that is bold in vision, transparent in purpose, and fearless in pursuit of creating value for everyone, we're going to win. So, again, these are just two examples, and we have many more of that, but the whole company is feeling that, that this transparency, this energy is contagious, it is contaminating in a good way the whole JDE Peet's company. And we are confident that with that, we're going to deliver.

So, thanks again for taking the time. We're going to enjoy some drinks in the beautiful sun again, either drinks or more coffee, if you're ready for it. But once again, we will be open, transparent to talk more to you. Thanks for taking the time.

[END OF TRANSCRIPT]