

2Q24 Conference Call Guidelines

Miguel Ángel Peirano: Good morning and welcome to Coca-Cola Andina's second quarter 2024 earnings conference call.

We closed the second quarter with a Consolidated Adjusted EBITDA of Ch\$109,259 million, an increase of 9.5% compared to the same quarter of the previous year. In addition, Adjusted EBITDA margin reached 16.3%, an expansion of 2 basis points over the same period of the previous year. Sales volume reached 197.1 million unit cases, an increase of 0.3% over the same period. Results by operation were mixed. While in Brazil volume grew 19.9%, explained by favorable weather factors, industry growth and an increase in sales to other bottlers; in Argentina, the weak macroeconomic situation that is affecting the country continued to impact our sales volumes, which declined 24.8% in the quarter. However, in the last few weeks we have noticed an improvement in our volumes in Argentina, which makes us optimistic for the second half of the year. Meanwhile, in Paraguay, sales volumes grew 10.1%, explained by the country's solid macroeconomic conditions, and in Chile they declined 6.0%, mainly due to adverse weather factors during the quarter.

Thus, Adjusted EBITDA in local currency grew 56.4% in Brazil and 17.7% in Paraguay, while in Chile it fell 4.0% and in Argentina it declined 68.3%. Excluding the Argentine operation, the Company's Adjusted EBITDA grew 32.1% compared to the same period of the previous year. Net Income attributable to the owners of the controller for the quarter reached Ch\$24,602 million, an increase of 101.8% over the same period of the previous year, and net margin was 3.7%, an expansion of 168 basis points.

In October of this year, we will terminate our distribution relationship with Heineken in Brazil, through an agreement established under the best terms between both companies. This will give us greater flexibility to develop our Therezópolis brand, and will allow us to generate new business opportunities in the beer segment, such as production and distribution for third parties. The construction of our beer production unit at our Duque de Caxias plant in Brazil is progressing according to schedule, and we expect it to begin operations in the second quarter of next year, with an initial installed capacity of 13 million unit cases. The multipurpose production line contemplated in this project will also enable us to produce soft drinks and other categories, with state-of-the-art technology and low environmental impact.

On the other hand, during June in Argentina, we signed a seven-year agreement with Pampa Energía to incorporate the use of wind energy for the operations of Coca-Cola Andina's plants in Córdoba, Trelew, Bahía Blanca and Andina Empaques. The reduction of greenhouse gas emissions and the management of climate change impacts are key priorities for the Company. Through this agreement, Coca-Cola Andina Argentina guarantees a base consumption of electric power from renewable sources of 70%, and plans to inject an additional volume to reach up to 95% of clean energy. In this way, our consolidated energy matrix will increase from 38.6% of renewable energy use in 2023 to over 50% in the coming years.

In Paraguay we were recognized as leaders in the Top of Mind ranking for the thirteenth consecutive year. We are the most remembered brand in the country, an achievement that reflects the team's dedication to our purpose of reaching every corner together to refresh moments and open opportunities.

We continue to make steady progress in our digital transformation agenda. Our B2B platform MiAndina is consistently growing in transactions in all our operations; today more than 46% of total Revenues are through our digital platforms (+20 percentage points compared to the same quarter of the previous year) and with customer satisfaction levels (Net Promoter Score) of 54%.

I would like to remind you that the figures analyzed incorporate the application of IAS 29. The figures for our Argentine operation for both the second quarter of 2023 and the second quarter of 2024 are presented in local currency as of June 2024.

Regarding the exchange rates of the other countries where we have operations and their effect on the consolidation of figures, this quarter we had a positive impact when consolidating the figures from our operations.

For each of our franchises, the figures we will analyze in each of them will be in nominal local currency, and in the case of Argentina, as mentioned above, they will be in real currency, as of June 2024.

In Argentina, Net Sales decreased 22.6% in the quarter, which was mainly explained by the decrease in volume already mentioned by Miguel Ángel, partially offset by the increase in the average revenue per unit case sold, as a result of price increases.

Cost of sales decreased 14.8% in the quarter, which is mainly explained by the lower volume sold and a lower cost of concentrate. This was offset by higher labor costs and higher sugar costs.

Distribution Costs and Administrative Expenses decreased 8.7% in the quarter, which is mainly explained by lower freight and distribution costs, due to the lower volume sold, and lower labor expenses. This was partially offset by higher marketing expenses.

Finally, Adjusted EBITDA decreased 68.3% in the quarter, and Adjusted EBITDA margin contracted 1,022 basis points to 7.1%. Argentina accounted for 8.3% of Adjusted EBITDA generated by the Company.

In Brazil, Net Sales increased 23.7%, mainly explained by the aforementioned increase in volume and, to a lesser extent, by the increase in the average revenue per unit case sold.

Cost of sales increased 16.4%, which is mainly explained by the higher sales volume, the effect of the devaluation of the Brazilian real on our dollarized costs, a higher cost of concentrate due to price increases, and a higher cost of sugar. This was partially offset by lower raw material costs, particularly Pet resin.

Distribution Costs and Administrative Expenses increased 13.7%, which is mainly explained by higher distribution expenses due to higher sales volumes and higher labor expenses.

Brazil's Adjusted EBITDA increased 56.4% in the quarter and Adjusted EBITDA margin was 23.8%, an expansion of 496 basis points. Brazil accounted for 46.5% of Adjusted EBITDA generated by the Company.

In Chile, Net sales decreased 1.9% in the quarter, mainly explained by the aforementioned decrease in volume, partially offset by the increase in the average revenue per unit case sold, as a result of price increases.

Cost of Sales decreased 1.6%, which was mainly explained by the lower volume sold, and by a lower cost of Pet resin. This was partially offset by a higher cost of sugar, a shift in the mix towards higher unit cost products and the devaluation of the Chilean peso, which has a negative effect on dollar-denominated costs.

Distribution Costs and Administrative Expenses increased 1.4% in the quarter, which is mainly explained by a higher cost of labor and services provided by third parties, and higher marketing expenses. This was partially offset by lower distribution costs due to lower volumes sold.

Adjusted EBITDA decreased 4.0% in the quarter and Adjusted EBITDA margin reached 12.4%, a contraction of 26 basis points from the previous year. In the period, the Chilean operation represented 29.4% of Adjusted EBITDA generated by the Company.

In Paraguay, Net Sales grew 16.8% in the quarter, which was mainly explained by the aforementioned increase in volume and a higher average revenue per unit case sold.

Cost of Sales increased 17.4%, which was mainly explained by the higher volume sold, a higher cost of sugar and fructose, and the shift in the mix towards higher unit cost products. This was partially offset by a lower cost of Pet resin.

Distribution Costs and Administrative Expenses increased 11.2%. This is mainly explained by higher labor costs and services provided by third parties, higher distribution expenses due to higher volume sold and higher tariffs, and higher marketing expenses.

Adjusted EBITDA increased 17.7% in the quarter and Adjusted EBITDA margin reached 28.8%, an expansion of 22 basis points over the previous year. Paraguay accounted for 15.9% of Adjusted EBITDA generated by the Company.

This opens the floor for any questions you may have.

Moderator: Thank you for your attention. Okay, the first question comes from Fernando Olvera from Bank of America. Your line is open. Please go ahead.

Fernando Olvera: Hello, how are you? Good morning everyone and thank you for taking my call. The questions I have are regarding Brazil.

First, if you can tell us more about the agreement with Heineken to stop distributing their products in Brazil, and what led you to make this decision and what opportunities you are seeing in beer going forward?

And the second question is, how much of the volume growth was related to higher sales to other bottlers and what should we expect going forward? Thank you very much.

Miguel Ángel Peirano: Hi, Fernando, how are you? Well, the agreement we reached with Heineken is somewhat in line with what we had planned in terms of our beer strategy for Brazil. Our objective is to focus basically on the premium, super premium segment and the agreement we had with Heineken, after the conditions were changed a few years ago, the brands we had were basically from the low or mainstream segment and very few from the slightly above mainstream or premium segment, such as Eisenbahn. Therefore, it was not in our strategic growth decision regarding beers for Brazil and, on the other hand, we had certain restrictions in terms of continuing to grow with our own volumes or those of third parties, which we understood were not so well aligned with our strategy. Therefore, by mutual agreement, which I believe is a totally favorable decision for both companies, we decided to terminate the relationship and thus have the freedom to take the measures we wanted in terms of future agreements with premium brands or growth of our own brand.

With respect to sales to other bottlers, basically we are producers for Brazil of Coca-Cola beverages with alcohol, such as Jack & Coke or Schweppes products, Kapo, and we sell these types of products to the entire system, and particularly in these months we are providing support for the unfortunate disaster that FEMSA had in the southern region, where we are supporting them with products.

Fernando Olvera: And any sensitivity, Miguel Ángel, regarding volumes? How much did that incremental sale represent?

Andrés Wainer: Hello, Fernando. Yes, incremental sales, what was done in Rio Grande do Sul are about 250 thousand unit cases, it is very little. Also, to clarify a little bit the total volume in Brazil, which grew almost 20%, the part that was sold within our franchise, the internal sale, grew 17.7%. What is sold to the rest grew by 60%, but these are much lower volumes. The message is that, although we sell to other bottlers, water, juice, Jack & Coke, as Miguel Ángel explained, the strong growth is still within our franchise.

Fernando Olvera: Excellent, thank you very much.

Miguel Ángel Peirano: Thank you, Fernando.

Moderator: The next question comes from Constanza Gonzalez Muñoz. Please go ahead.

Constanza Gonzalez Muñoz: Hello, good morning. Thank you very much, Miguel, Andrés and Paula. I had a question mainly regarding the operations in Argentina, Brazil and Chile.

On the Argentinean side, I would appreciate it if you could elaborate a little bit on the volume recovery that you had commented at the beginning, that you are presenting during this quarter. Considering that, although the drop was strong, I would like to understand how much of that we could see recovery towards the second part of the year.

In the case of Brazil, it was not very clear to me, in the end, how much of this growth you are showing would be maintained during the next periods.

And, in the case of Chile, I would appreciate it if you could delve deeper into whether there is still room for an increase in volumes, given that, while volumes have decreased, prices have continued rise.

Miguel Ángel Peirano: Hello Constanza, how are you? Well, in terms of Argentina's volumes, what we've been saying in the various conference calls is coming true: we expected a very complicated first and second quarter, a third quarter where it begins to stabilize, and, hopefully, a fourth quarter with some growth. As previously stated, we saw a 20-plus decline in volume during the quarter. However, in July, the volume drop was already decreased to 9%, bringing us from -22, -23% to -9%, a significant decrease in volume drop. We hope that this trend continues and that by the fourth quarter, we will begin to see positive results. This will also be influenced by the pace of Argentina's economic recovery.

As for Brazil, we are optimistic for the rest of the year. We believe Brazil will continue to grow. Clearly, when we compare it to the previous year's increase, it will not be as large, but we recognize that Brazil will have a very excellent year and see no reason why the dynamics it currently enjoys would decline.

And with respect to Chile, we have maintained, as is our policy, a pricing structure and a pricing strategy in order to maintain our margins and maintain a good relationship in terms of market share, and that is what we will continue to do. We understand that Chile's volume during the first semester and the second quarter was also strongly affected by the temperatures, a price issue even though the economy is not working in a very dynamic way, but we understand that the greatest impact has come from the weather, from the cold. And in July, when temperatures began to normalize a little more with respect to the previous year, we are already having positive volumes of around 4% growth, so we are also seeing a return to growth in Chile once the weather conditions improve.

Constanza González: Thank you very much, Miguel Ángel.

Miguel Ángel Peirano: Thank you, Constanza.

Moderator: The next question comes from Alejandro Fuchs, from Itaú BBVA. Please go ahead.

Alejandro Fuchs: Hello, Miguel Ángel, Andrés, Paula. Thank you very much for the space for questions and congratulations on the results. I have two quick questions.

The first one, a little bit on the cost, I wanted to see if you could comment on the hedging policy going forward, what you expect for the second half on the raw materials side.

And the second question, as far as the tax rate, I think it was around 49% in this quarter. I wanted to see if you could give us a little bit of detail, Andrés, maybe why a little bit so high and expect going forward. I imagine maybe a little bit because of the tax losses in Argentina, but I wanted to see if we could have a little bit more detail. Thank you very much.

Andrés Wainer: Hello Alejandro. Regarding hedging, we do sugar hedging. For the second half of the year we have already hedged almost 90% of Q3 and close to two thirds of Q4. In Q3, the prices we are setting or have already set are somewhat higher than the previous year, approximately 10%. It varies a lot by country, but an average should be around that. And in Q4 the prices set are already very similar to the previous year. Therefore, the negative effect of sugar prices should end in Q4. And from 2025, which we are already starting to take hedges for the first half, they are at substantially lower prices than the previous year. So it's going to be helpful, let's say, in the next year.

Regarding the tax rate, during Q2 of this year we withdrew dividends from Paraguay, for an amount close to the dividend that was paid, it was about 67 million dollars. And when you withdraw dividends from Paraguay, you have to pay a withholding tax of 10% in Paraguay. In addition, then in Chile you also have to pay another tax to reach the total tax rate in Chile, which is 27%. In total, this effect was about 11 billion Chilean pesos in the quarter. And that is what explains the high tax rate in Q2, for the year we are estimating that the tax rate should be close to 35%.

Alejandro Fuchs: Thank you very much. Very clear, Andrés.

Moderator: The next question comes from Froylan Mendez of JP Morgan. Your line is open. Please go ahead.

Froylan Mendez: I would like to ask about margins in Brazil, how feasible is it to sustain this level going forward, especially with the changes in the distribution agreement with Heineken? In other words, what would be the moving parts to understand margins in Brazil for next year? Thank you.

Andrés Wainer: Hello Froylan. Well, Brazil's margins soared mainly because of economy of scale. Here you have to remember that this is a business that has a fairly high fixed cost level. Therefore, when volumes grow strongly, as was the case in Brazil, margins soar, EBITDA soars, and that is what happened. We believe that as long as we manage to maintain volumes at these levels, margins are absolutely sustainable.

Regarding the beer issue, it is very marginal. The volume of beer that we sold from Heineken in the first half of the year is about 1.5 million cases. And the EBITDA that that generated during the semester is about 3 million. Therefore, it is very marginal and the fact that we will stop distributing Heineken products will not materially change the company's results.

Froylan Mendez: It was very clear. Thank you very much.

Moderator: The next question comes from Tommy Andrade of Quipus Capital. It is a text question. Two questions. For a few years now, Andina has been investing above depreciation, increasing its PP&E. When do you see a normalization in CAPEX? Two, UFs are cheaper in low inflation contexts, but in the current more volatile context, are you considering the possibility of changing to CLP financing?

Andrés Wainer: Yes. Hello Tommy. Regarding investment and CAPEX, indeed, both in 2023 and 2024, the company is in a period of a quite high CAPEX cycle. It is explained by the beer plant that we are building in Duque Caxias, by the recycled resin plant that we are building in Chile and by the reopening of a plant in Mendoza with a returnable line. And that is why CAPEX for last year and this year will be close to 250 million dollars. For next year we are already expecting a decrease. CAPEX will probably be in the order of 210 million dollars, quite in line with inflation or slightly above.

Regarding debt in UF, of all the debt we have in Chile, is in UF or Chilean pesos, approximately one third is nominal and two thirds in UF. This is something that we are constantly reviewing to see if it is optimal or if we eventually nominalize more of the debt. It is something that, as I said, the company is constantly reviewing.

Moderator: We have a question from Ewald Stark of Bice Investments. Your line is open, please.

Ewald Stark: Hello everyone, thank you very much for the call. I have a question regarding volumes in Argentina. It was mentioned earlier in this call that during July they dropped by 9%, showing a significant recovery against what we have seen during the year. But I would like to understand, to have a little more detail, if this volume dynamics could respond to the Copa America effect or could there be something else, something underlying that could indicate a better outlook.

Miguel Ángel Peirano: Hello, how are you. Well, no, basically we attribute this to the fact that we understand that the worst in terms of volume drop in Argentina is over. We are at a plateau. And that is why it fell only 9% versus the 25% that had been falling before. We do not see it as an external impact, but simply as a still tepid improvement, but we are seeing it in different sectors of Argentina's economy. There is still a lot of water under the bridge. We have to wait and see how what happens during the next months, but everything would indicate that the worst is over and we are entering a stabilization stage and maybe in the fourth quarter we will start a recovery.

Ewald Stark: Perfect, thank you very much.

Miguel Ángel Peirano: Thank you very much.

Moderator: We have a question from Gerardo Infante from Stars Investments. Please go ahead.

Gerardo Infante: Hello, good morning everyone. I had a question regarding Brazil and the new plant being built. You commented that it had a capacity for 13 million unit cases. I wanted to know in how long do you estimate that you will be able to stabilize the sales of this new line that will be produced there? And approximately what margin do you expect this line to have, which I understand would be for a more premium segment.

Miguel Ángel Peirano: Hello Gerardo, how are you? Well, as we said, we will have the plant up and running within the next year. It has a capacity of 13 million cases and here the idea is to try to fill the line or fill this plant capacity in a very short term, because it has the capacity to produce not only beers, but also non-alcoholic products. To be able to continue supporting other bottlers in some particular products, to be able to outsource part of the production as a toll packer to other premium breweries in Brazil that are producing, plus what we are going to produce from Therezópolis, which today we have somehow restricted. We have restricted its territorial expansion due to the capacity problems we have. We have to understand that today we are bringing products from more than a thousand kilometers away, which is the current toll packer we have for Therezópolis. Producing it in Duque de Caxias not only lowers logistics costs and also generates the profitability of producing it ourselves, but also gives us greater capacity. So, in short, we expect that in a relatively short period of time we will have the plant's capacity full, either for beer or for beer plus non-alcoholic products.

Gerardo Infante: Perfect, thank you very much. Regarding the margin that you expect for the new line, given the cost advantage and also given the premium segment, do you have any kind of detail?

Miguel Ángel Peirano Well, when you have the entire production process, the entire business chain, in the case of beer, margin is much higher than when you are simply a distributor. And in this case, this is enhanced by the fact that we would be selling a premium product versus a mainstream or low-priced product such as Bavaria or Kaiser. Therefore, margins are going to increase significantly, understanding that volumes are still small.

Gerardo Infante: Well, thank you very much.

Miguel Ángel Peirano Thank you, Gerardo.

Moderator: We have a follow-up question from Felipe Ucros, from Scotiabank. Please go ahead.

Felipe Ucros: Good morning, Miguel Ángel, Andrés. Thank you for the space. You said that you grew almost 18% in Brazil, in terms of own franchises. What are the drivers here? Clearly there was a climatic effect, but I wanted to know if you can tell us what the other effects are that you are seeing and which are the strongest, perhaps have a directional idea of how to think about the coming quarters.

And perhaps a follow-up to another question that was asked. Today, obviously the production for other bottlers, both of Therezópolis and other alcoholic beverages, is growing very strongly, isn't it? And that is helping you, even if it is a small base. Should we see this as something temporary? I mean, do the other bottlers have a vision of eventually producing this in their plants, or is this something that we should be thinking about as a long-term model for Andina? Thank you.

Miguel Ángel Peirano: Hello, Felipe. Well, regarding Brazil's growth, basically it is the sum of different factors that have helped this. Clearly the climate effect has been one of them. The economy in Brazil has been growing in terms of mass consumption. That is why the growth was not only ours, but that of the system in general. And on the other hand, also the growth in market share. In short, the sum of these three elements were the ones that have given us the impulse and the great growth we have had in Brazil.

And regarding the issue of third party production, whether it is temporary or permanent, there is also a mix. Some of them are permanent. For example, everything related to alcoholic products of the Coca-Cola System, Schweppes, Jack & Coke and those to come, it is more efficient for the volumes to be produced in one place. And this, by a decision made by the system as a whole, was the most convenient place, it was Ribeirao Preto, so we are producing it there and this will probably continue. The same for some other products, as in the case of Kapo. And temporarily, clearly, the support we are giving to FEMSA will be until they need it. And well, basically that. So, it is a mix between some specific needs that they are even having today, until each bottler decides to increase its capacity and that will end. But that depends on the bottler's decision. As long as we have available capacity, we are willing to continue supporting anyone who needs it within the system.

Felipe Ucros: Perfect. There you mentioned a couple of things. You mentioned alcoholic beverages, like Jack & Coke and let's say other cocktails and the temporary help to FEMSA. What about Therezópolis? I understand that you are producing Therezópolis to other bottlers as well. Should we also see this as temporary or permanent? I wonder if you can comment on that.

Miguel Ángel Peirano: Well, in the case of Therezópolis, FEMSA has a co-packer that is producing and it is going to be their decision whether they will continue with the co-packer and part of it is a decision of the other bottlers. In short, in terms of where they are going to source from Therezópolis. And again, we plan to quickly use the plant's installed capacity in the sum of beer plus soft drinks, so we will see how much capacity we have available.

Felipe Ucros: Very clear. Thank you very much for the detail.

Miguel Ángel Peirano: Thank you very much Felipe.

Moderator: Okay, there are no further questions at this time. Mr. Peirano, do you have any final comments?

Miguel Ángel Peirano: *I simply want to thank you for your time, your participation in this call and your interest in Coca-Cola Andina's results. As always, our investor relations team and management are and will be available to meet with you and answer any questions you may have. We remain at your disposal. Have a good day.*