Q-Series®

Global Coca-Cola System
Is the Coke Ecosystem Sustainable?

Equities

Global
Beverage

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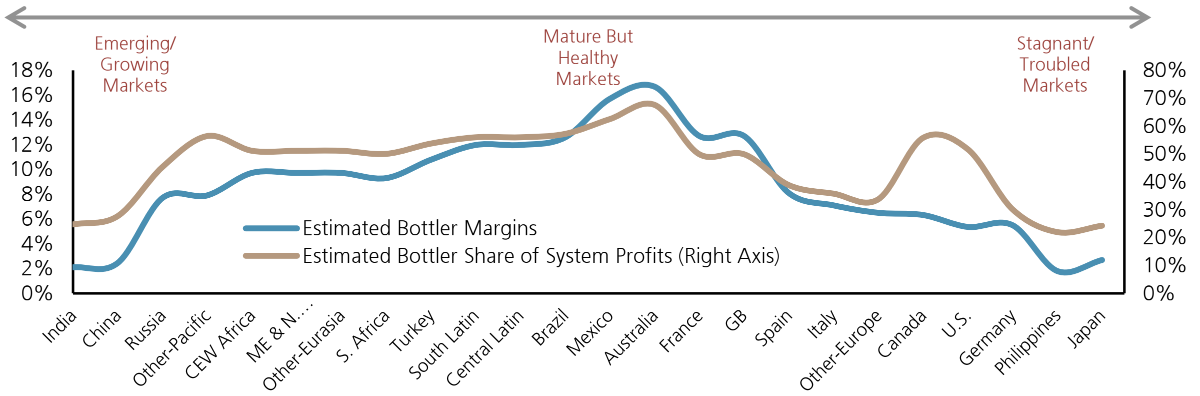
The Global Coca-Cola System (GCCS): Which parts are greater than the whole?
Typically, KO and its bottlers are analyzed in isolation, which risks overlooking important interdependencies. We address that risk by examining the GCCS holistically, along with each participant's place in it, to identify the most (dis)advantaged entities.

Economic variability within the system points to potential tension
Within the GCCS, volumes, revenue, profit, and capital spending can vary meaningfully from region to region, as can "profit pool" splits between KO and its bottlers. Overall, we find most markets to be broadly "healthy" outside of the US, Germany, Japan, and the Philippines; however, early-stage markets such as China and India have a long path to full profitability and historically "top-tier" markets such as Latin America, Australia, and Northwest Europe face increasing operating and inter-party system risks.

We are most concerned about markets up or rising up the GCCS "S-curve"
Over time, we have seen a kind of "S-curve" develop within the GCCS: Phase I – Emerging/Growth Markets (China, India); Phase II – Mature/Healthy Markets (Australia, Mexico, GB); Phase III – Stagnant/Troubled Markets (US, Germany, Japan). Throughout this "S-curve", KO's margins remain relatively even, while bottler profits come under pressure in Phases I and III. If growth slows further in LatAm, Europe, or Australia, we see potential pressures rising between KO and KOF, Arca, CCE, CCH, and Amatil.

GCCS: Large, profitable, imperfect; we favor KOF, Arca; CCL least preferred
Balancing the above against the operating realities of our coverage universe, we see the stocks of Latin American bottlers Coca-Cola FEMSA (Buy) and Arca (Buy) as the most advantaged (albeit subject to the aforementioned profit pool risks over time). Among our Neutral-rated names, we see CCI as the most advantaged fundamentally (solid growth, minimal KO risk near-term), whereas we see KO itself and its European/Australian bottlers (CCE, CCH, and especially CCL) facing somewhat more material challenges. Overall, we find the GCCS to be the largest consumer packaged goods (CPG) "company" in the world (~$115 bn+ in 2013 revenue), yet with only average growth, average EBIT margins (~17% in 2013), and above-average capital intensity.

Figure 1: Over time, we have seen an "S-curve" relationship develop within the GCCS—ie, low bottler margins and share of profits at early/late stages vs. high bottler margins and share of profits when times are good



Note: UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

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Global Coca-Cola System Investment Summary

Across UBS, we cover 7 stocks whose core business relates to Coca-Cola and the Global Coca-Cola System (GCCS): KO itself plus 6 "anchor" bottlers—CCE, Coca-Cola FEMSA, Arca Continental, Amatil, Icecek, and Hellenic—as well as SAB, which also has an important minority of its business tied to soft drinks and Coca-Cola. Typically, these names are analyzed more or less in isolation, which risks overlooking important interdependencies within the GCCS itself. Today, we address that risk by examining the GCCS in its entirety and each participant's place in it to identify the most advantaged entities or those most at risk. Although similar attempts have been made in the past, we believe our approach is differentiated because it leverages the combined input of UBS analysts throughout the globe (across six continents).

Typically, KO and its bottlers are analyzed in isolation, which risks overlooking important interdependencies

Overall, we estimate the GCCS to be fairly healthy: roughly ~$115bn+ in revenues[1], with operating margins in the high-teens (roughly 17% in 2013) and profits roughly split 50-50% between the company and its bottlers. However, recently, growth and profit margins have been under pressure in many markets (given macro volatility and health and wellness pressure on carbonated soft drinks, or CSDs), and significant geographic variations can be observed in profit pool splits between KO and its bottlers.

Within GCCS, volumes, revenue, profit, and capital spending can vary meaningfully from region to region, as can "profit pool" splits between KO and its bottlers

More broadly, over time, we have seen a kind of "S-curve" develop within the Coke System: Phase I – Emerging/Growth Markets; Phase II – Mature but Healthy Markets; Phase III – Stagnant/Troubled Markets. Throughout this "S-curve", KO's margins remain relatively even, while bottler profits come under pressure in Phases I and III. Overall, we find most Coca-Cola markets to be broadly "healthy" from a bottling perspective outside of the US, Germany, Japan, and the Philippines (more mature Coca-Cola markets where in all cases bottler margins are suboptimal); however, early-stage markets such as China and India also have a long path to full profitability and historically "top-tier" markets such as Latin America, Australia, and Northwest Europe face increasing operating and inter-party system risks. Thus, if growth slows further and/or macro pressures persist in Latin America, Europe, and/or Australia, we see potential pressures rising between KO and Coca-Cola FEMSA, Arca, CCE, Hellenic, and/or Amatil.

Over time, we have seen an "S-curve" develop within the Coke System: Phase I – Emerging/Growth Markets; Phase II – Mature but Healthy Markets; Phase III – Stagnant/Troubled Markets

[1] This revenue estimate likely understates the full scope of GCCS, as it does not include relevant joint ventures (eg, Aujan, Jugos Dell Valle, etc.).

Figure 2: Over time, we seen an "S-curve" relationship develop within the GCCS—ie, low bottler margins and share of profits at early/late stages vs. high bottler margins and share of profits when times are good

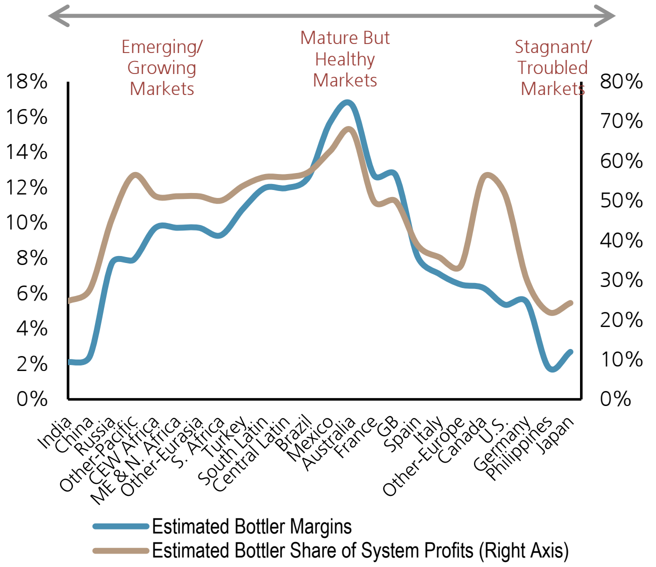
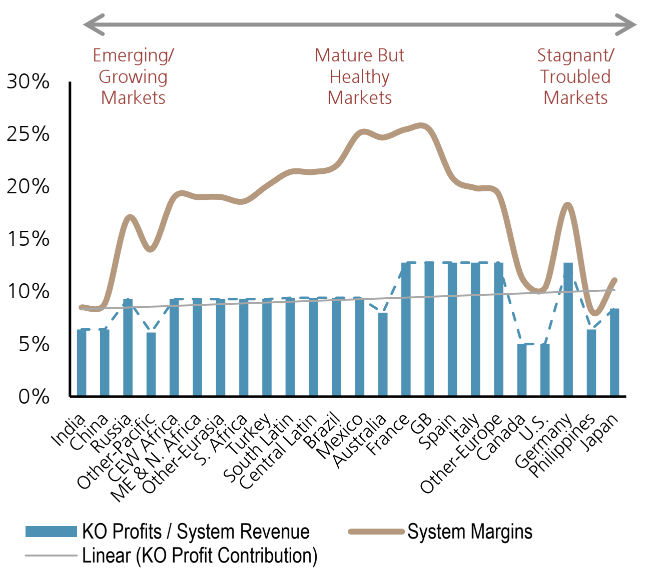


Figure 3: Throughout this "S-curve" cycle, we estimate that KO's margins as concentrate provider remain relatively even, so that its share of the profit pool is much higher in the "early" and "late" stages



Note: UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

We rate Coca-Cola FEMSA and Arca Buy; KO, CCE, CCI, CCH, SAB and Amatil Neutral

Balancing these system realities against the operating realities of our coverage companies, we see the stocks of Latin American bottlers Coca-Cola FEMSA (Buy) and Arca (Buy) as the most advantaged overall (albeit potentially subject to profit pool struggles with KO over time). Among our Neutral-rated names, we see Coca-Cola Icecek (CCI) as the most advantaged fundamentally (solid growth, minimal KO risk near term), whereas we see KO itself and its European/Australian bottlers (CCE, Hellenic, and Amatil) facing somewhat more material challenges.

For KO specifically, we are most closely monitoring the following aspects related to intra-system relations

(1) US Profitability & Refranchisement—Will KO be able to successfully stabilize/expand US system margins and restore North America to profit growth, thereby attracting high-quality partners and facilitating refranchisement? We remain skeptical, given difficult market and competitive conditions, as well as KO's cautious approach to supply chain restructuring.

(2) German Profitability & Refranchisement—Much like in the US, will KO be able to improve Germany's bottler return profile (through better price realization and supply chain efficiencies) to better attract potential suitors (eg, CCE)? We remain unconvinced given recent efforts that have seemingly emphasized simple volume growth over return accretion.

(3) Avoiding Challenges In Other Markets—Can KO and its partners avoid troublesome disputes over concentrate pricing/incidence rates and profit pool splits in markets facing slowing trends (eg, Australia, Europe, and arguably Latin America)? Will KO be able to avoid future bottler ownership in historically challenging markets such as Japan and the Philippines? Will KO be able to lead markets such as China and India to sustainable scale, profitability, and returns on

investment? Here we are more constructive, but not wholly optimistic given the dynamics discussed below.

Although we do not cover bottlers in other regions, we do comment in this report about challenges and opportunities faced by KO and its partners in additional markets (eg, Japan).

Figure 4: Summary of Coverage: Global Coca-Cola System Participants

Company	Ticker	Analyst	Market Cap (LC)	Rating	Price (LC)	PT	P/E	EV/EBITDA
Coca-Cola	KO	Stephen Powers	183,411	Neutral	41.7	US $40	20.0	14.1
Coca-Cola Enterprises	CCE	Stephen Powers	11,963	Neutral	47.6	US $50	16.4	9.7
Coca-Cola Amatil	CCL.AX	Craig Stafford	6,987	Neutral	9.2	A$9.20	16.0	7.8
Coca-Cola Icecek	CCOLA.IS	Anuj Mehrotra	13,075	Neutral	51.4	TRY 59	26.7	14.4
Coca-Cola FEMSA	KOFL.MX	Gustavo Oliveira	300,512	Buy	145.0	P182	22.2	10.2
Arca Continental SAB	AC.MX	Gustavo Oliveira	141,018	Buy	87.9	P100	22.2	10.5
SABMiller	SAB.L	Melissa Earlam, Renier Swanepoel	54,322	Neutral	33.8	£35	22.1	10.7
Coca-Cola Hellenic	CCH.L	Olivier Nicolai	4,983	Neutral	13.7	£15	21.1	9.4

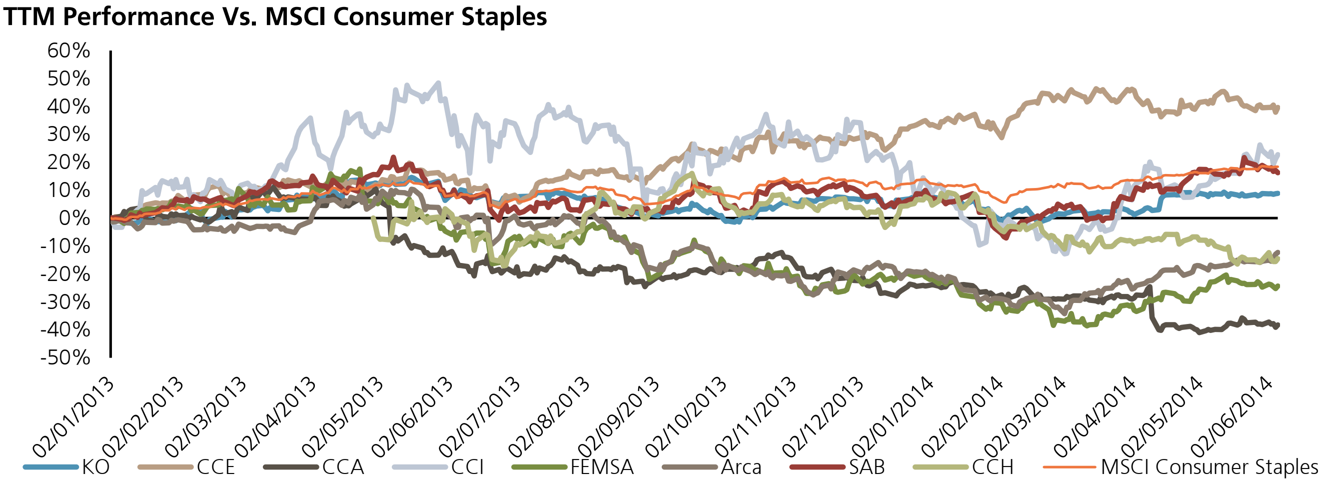
Note: In addition to the above, Carlsberg is the Coke bottler for Denmark and Finland; Heineken is the Coke bottler for DRC, Congo, Burundi, and Rwanda.
Source: FactSet, UBS

Figure 5: UBSe vs. Consensus

	FY1 (UBSe)	FY1 Cons	FY2 (UBSe)	FY2 Cons
KO	US $2.10	US $2.09	US $2.25	US $2.24
CCE	US $2.91	US $2.91	US $3.19	US $3.23
Amatil	A$0.53	A$0.57	A$0.58	A$0.60
Icecek	TRY 2.17	TRY 1.93	TRY 2.57	TRY 2.34
FEMSA	P7.51	P6.53	P8.45	P7.57
Arca Continental SAB	P4.14	P3.96	P4.74	P4.44
SAB Miller	UK £1.58	UK £1.56	UK £1.72	UK £1.72
Hellenic	UK £0.84	UK £0.81	UK £0.93	UK £0.93

Source: FactSet, UBS estimates

Figure 6: Price Performance of Coca-Cola System Participants VS. MSCI Staples Index (trailing 12 months)



Note: All performance stated in USD
Source: FactSet, Bloomberg, UBS analysis

Introduction to GCCS

KO itself is large, but the GCCS is far larger… and far from perfect

While KO is a large company unto itself (~150,000 employees, 500+ brands under management), the entirety of the franchised GCCS is much larger—differentiating KO from other multinational CPG companies with consolidated/integrated systems. In the "typical" Coke model, KO brings its products to market through a complex network of 250+ independent bottling partners (as well as distributors, wholesalers, retailers, and additional bottling operations that KO itself owns). In the base operating model, KO sells concentrates and syrups to its third-party bottling partners, which then use the concentrate to manufacture finished products sold to distributors and retail/wholesale customers. In all cases, KO retains full ownership of all brand rights and full control over prices that it sets with bottlers.[2] Bottlers, in turn, set wholesale pricing. Managing this system well (ie, without disruption or adverse friction between franchisee and franchisor) is critical for KO and its bottlers, and therefore for all GCCS investors.

In this report, we aggregate and analyze the GCCS in detail, defining its aggregate size and profitability, examining volume and revenue allocations by region, and assessing profitability splits within the system itself (ie, between KO and the bottlers)—trying to identify areas of opportunity or potential difficulty for either KO or its partners. While overall, KO and the GCCS are dominant forces in the global soft drink market (especially CSD[3]), the system itself is not without its deficiencies and should be expected to change over time (just as it has over the prior 100+ years)—sometimes creating unexpected challenges for GCCS investors as system members proliferate, evolve, disagree, and/or consolidate.

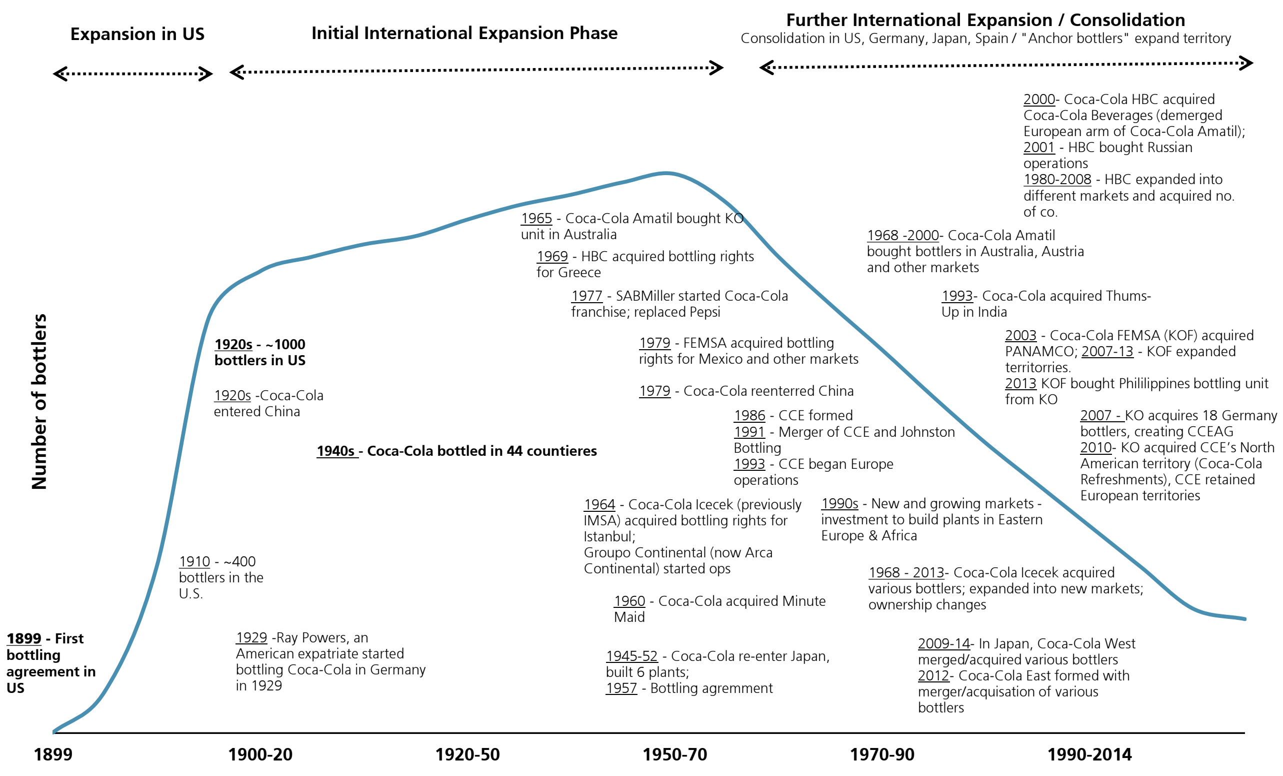
[2] Most markets today are operated by KO on an "incidence rate" basis. In other words, concentrate prices are fixed as a percentage of wholesale revenues. Some markets, however, still operate on a fixed price/case concentrate model (e.g., many small markets in the U.S. and a number of emerging markets).
[3] Although KO owns more than 500 nonalcoholic beverage brands, ~74% of global system volume still comes from "Sparkling" or carbonated soft drinks (CSDs).

Figure 7: While overall, KO and the GCCS are dominant forces in the global soft drink market, the system itself is not without its deficiencies…

	Asia Pacific		Australasia		Eastern Europe		Latin America		Mid-East and Africa		North America		Western Europe	
	Market Share	Market Position	Market Share	Market Position	Market Share	Market Position	Market Share	Market Position	Market Share	Market Position	Market Share	Market Position	Market Share	Market Position
Bottled Water	7%	2	13%	3	7%	1	17%	2	2%	2	11%	2	3%	5
Cola Carbonates	60%	1	76%	1	47%	1	71%	1	54%	1	52%	1	60%	1
Non-Cola Carbonates	55%	1	36%	1	22%	1	36%	1	43%	1	19%	3	24%	1
Juice	13%	1	3%	5	15%	2	24%	1	6%	1	19%	1	4%	4
RTD Cofee	18%	1	N/A	N/A	3%	8	N/A	N/A	17%	2	0%	6	3%	6
RTD Tea	7%	4	N/A	N/A	1%	7	17%	3	21%	1	5%	5	1%	9
Energy Drinks	3%	7	23%	2	11%	2	15%	2	6%	6	8%	4	6%	4
Sports Drinks	23%	2	54%	1	25%	1	15%	2	30%	2	24%	2	33%	1

Note: All market share percentages and market share ranks are representative of volume share ranks, excluding on-trade consumption. All share statistics are sourced from Euromontor, which may differ from other third-party sources and/or data cited by our coverage companies themselves.
Source: Euromonitor, UBS analysis

Figure 8: …and should be expected to change over time (just as it has over the prior 100+ years)—sometimes creating unexpected challenges as system members proliferate, evolve, disagree, and/or consolidate



Source: Company reports, UBS

UBS GCCS Aggregation Methodology

Our methodology in this report relies on GCCS disclosures, other third-party inputs, and global insights from UBS analysts on six continents

In this note, we analyze the GCCS by splitting the system into five standardized regions (and major countries/sub-regions within the five broader regions). In doing so, we leverage data and information gathered through the following means: publicly available disclosures made by GCCS member companies, insight from UBS analysts worldwide who cover KO and GCCS bottlers, and supplementary third-

party data and/or discussions with outside industry experts. We used assumptions to fill inevitable gaps in data, as appropriate. Specifically:

1. We used KO's disclosed soft drink "unit case' volumes (192-oz. equivalents), broken down into KO-defined regions, as an analytical foundation. We mapped all third-party and bottler information (eg, revenues, operating expenses, capital expenditures, etc.) over time to these KO market segmentations (regions and countries/sub-regions) to maintain consistency for our analysis.

2. Since KO operates as a concentrate provider to all bottlers around the world, as well as a bottler itself in some of its markets (eg, North America, Germany, China, India), we separated KO's concentrate operations from its bottler operations as part of our mapping. In some cases, this was a fairly direct process (ie, where KO's disclosures separate its Bottling Investment Group operations from its concentrate operations). However, in North America (where the two operations are merged), we were forced to back into theoretical concentrate economics using known bottler financial results (eg, for bottlers such as Swire and Coke Consolidated), assuming they are representative of overall bottler financials across the US and solving for the incremental concentrate margins in KO's reported results.

3. In our analysis, we derived revenues for each of the five GCCS defined markets by aggregating bottler revenue in those markets' respective countries/sub-regions. In the process, we made fair assumptions where information is not publicly available. For example, we derived GCCS Brazil revenue by accumulating sales as reported by Coca-Cola FEMSA, Andina, and other bottlers in Brazil and extrapolating for unaccounted volume. Further, revenues for closely held private bottlers were derived based on their volumes and combined with the known pricing of public bottlers (subject to UBS adjustments, where relevant). To derive total GCCS revenue, we included only wholesale/bottler revenues (ie, we did not include concentrate revenues generated by KO) to avoid double counting, as KO's concentrate revenue is essentially a cost to bottlers.

4. In analyzing the profitability of the GCCS, we used a similar approach (ie, aggregating/mapping known results and extrapolating for remaining entities). However, unlike with system revenue, it is worth highlighting that GCCS profitability is a sum of KO's concentrate profit and the profits of bottlers around the world.

5. Similar to system profits, GCCS capex is a sum of KO's capex and the capex of KO's bottling partners.

6. Wherever possible, historical information is based on information disclosed directly by KO and/or its bottlers. Forward-looking information is based on the published assumptions and forecasts of all UBS analysts.

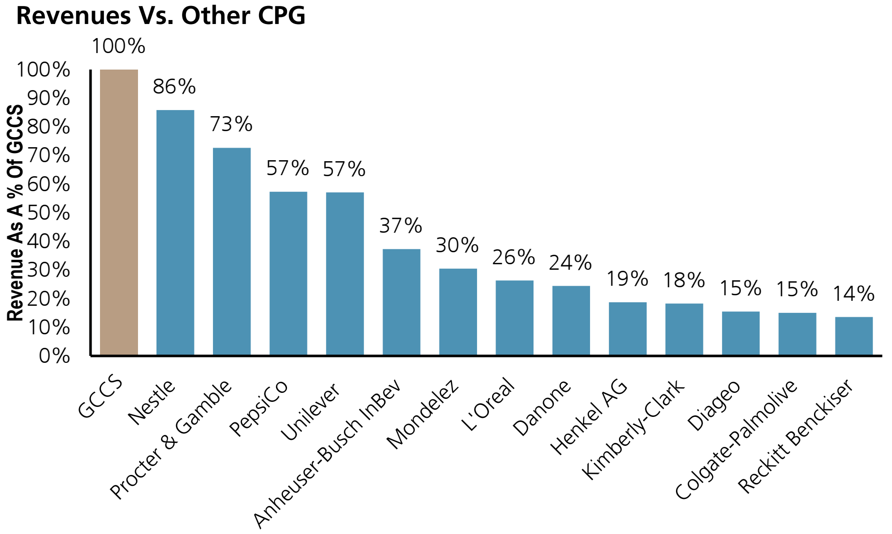
Overall System Profile

Largest CPG "Company" in the World

In our estimation, the GCCS generates roughly ~$115 bn+ in wholesale revenues[4], which makes Coke's overall business likely the largest CPG operation in the world. To put things into perspective, Nestle and P&G, the two largest "stand-alone" CPG companies in the world, are 85% and 75% the size of the GCCS on a revenue basis, respectively. Other global giants, such as PepsiCo and Unilever, are only ~60% the size of the GCCS.

In aggregate, the GCCS is 20% larger than Nestle and 40% larger than P&G by revenue

Figure 9: If the GCCS were a standalone company, it would be the largest CPG company in the world at about ~120% the size of Nestle, and ~140% of P&G



Source: Company reports, FactSet, UBS estimates and analysis

GCCS Offers Average CPG Growth

Despite its outsized sales, the GCCS falls in the middle of the pack when it comes to top-line growth. The GCCS has had a +6.3% CAGR (all-in) over the past 10 years and a +2.4% CAGR (all-in) over the past five years, vs. CPG industry average 10- and 5-year historical CAGRs of +6.0% and +2.4%, respectively.

Although large, the GCCS only offers average growth…

The spread between the GCCS's 10- and five-year historical CAGRs reflects the general difficulties facing consumer companies following the 2008 financial crises, along with mounting secular headwinds facing the CSD category, in particular[5]. System growth deceleration places inherent pressure on KO and its bottling partners and their interrelations—amplified by the elevated "fixed-cost" nature of the GCCS's manufacturing and distribution model. In certain markets, such as the

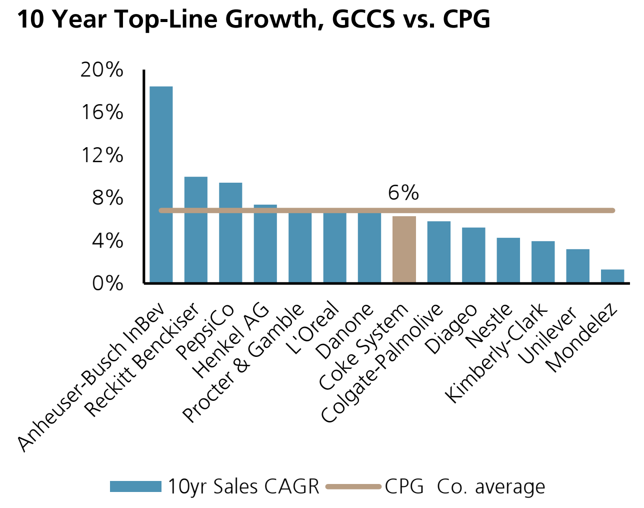
[4] This revenue estimate likely understates the full scope of the Global Coke System, as it does not include relevant joint ventures (eg, Aujan, Jugos Dell Valle, etc.).

[5] We note that growth deceleration attributable to Health and Wellness concerns is not as pronounced in geographies outside of North America and that the GCCS portfolio consists of products beyond CSDs, but CSDs are still quite a large portion of GCCS volumes (~74% in 2013) and therefore highly impactful to overall System growth.

US, such pressure has stressed profitability to the point where KO was ultimately forced to acquire its respective bottlers as a means of remediation (discussed further below).

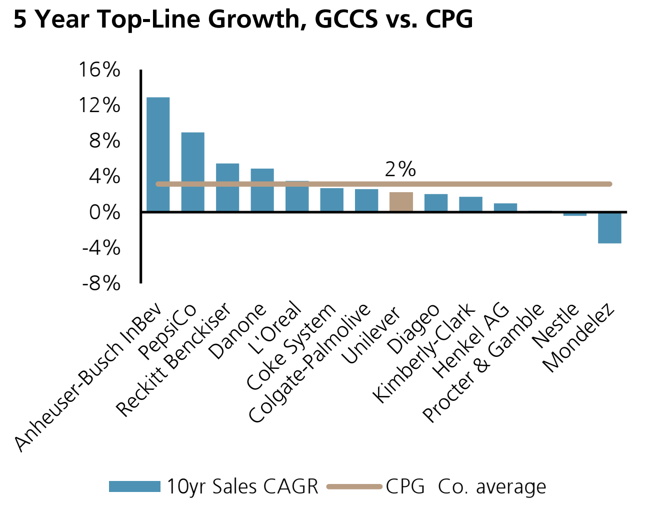
Looking forward, we do expect overall GCCS revenues to return to the +4-5% growth range, assuming gradual restabilization of overseas demand and moderating FX headwinds.

Figure 10: Despite its outsized sales, the GCCS falls in the middle of the pack when it comes to top-line growth…



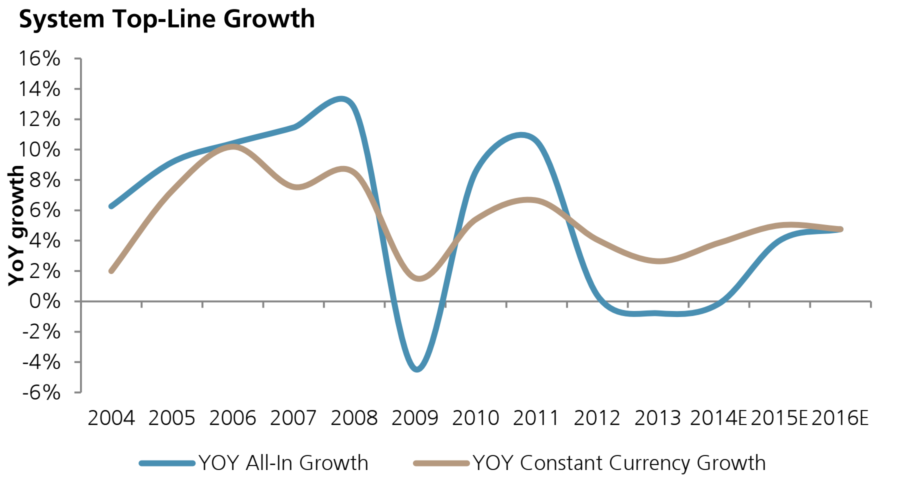
Note: All growth rates include the impact of currency movements and M&A
Source: Company reports, FactSet, UBS estimates and analysis

Figure 11: ...growth that has been decelerating and placing pressure on KO, bottlers, and their interrelations



Source: All growth rates include the impact of currency movements and M&A
Source: Company reports, FactSet, UBS estimates and analysis

Figure 12: In some markets, this growth deceleration has been more pronounced than in others (a combination of macroeconomic and health & wellness pressures); however, looking forward, we do expect overall GCCS revenues to return to the +4-5% growth range, assuming gradual restabilization of overseas demand and moderating FX headwinds



Source: Company reports, FactSet, UBS estimates and analysis

Lots of Profit, Average Margins

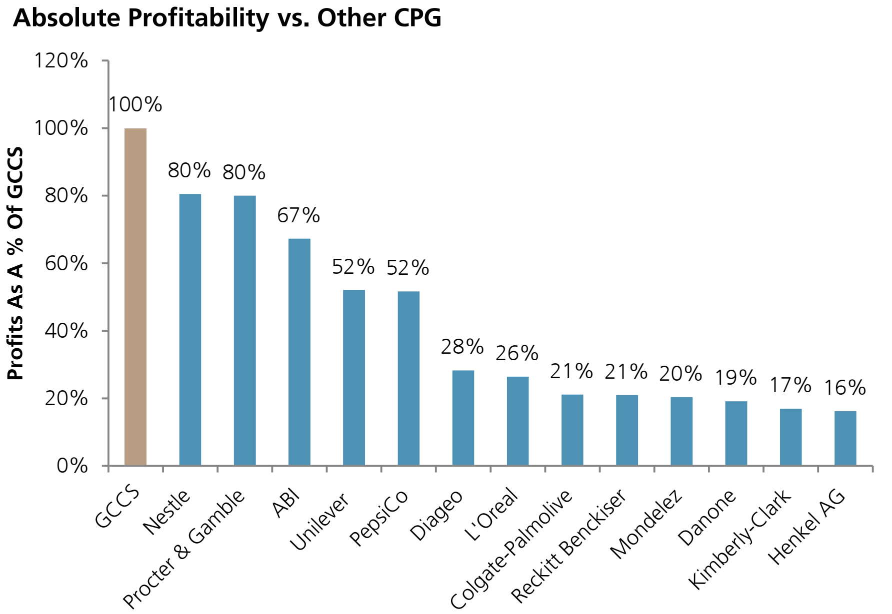
...and average margins

Beneath the top line, we estimate that the GCCS generates ~$19bn in operating profit, which is greater than all other CPG peers on an absolute basis. Nestle and P&G are about ~80% the size of the GCCS in profitability terms, while Unilever and PepsiCo earn only ~50% of GCCS profits.

However, despite this high level of absolute profitability, the GCCS earns only average margins. The GCCS' five-year average EBIT margin comes in at ~17%, slightly below the approximate CPG industry average of 19%. Over the last 10 years, the GCCS has seen overall margins decline roughly 100 bps (from 17.9% in 2003 to 16.8% in 2013)—a reflection of the aforementioned challenges.

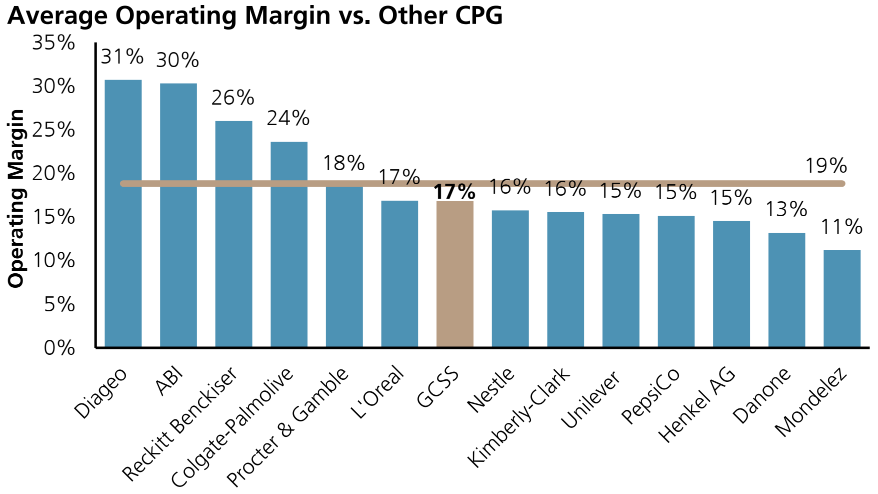
Looking forward, we do expect gradual improvement back towards 17+% margins. However, this again assumes a restabilization of demand and cooperative FX (and commodity) markets.

Figure 13: On an absolute basis, the GCCS has the highest profits in the CPG industry, outranking consumer giants Nestle and P&G…



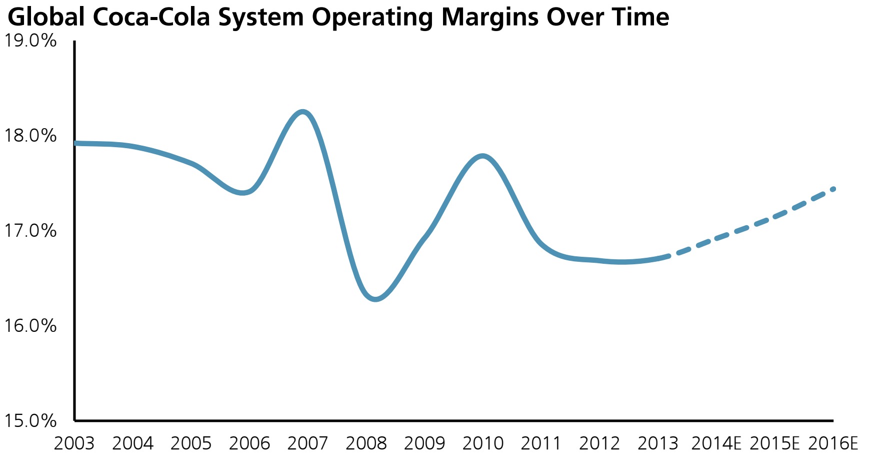
Source: Company reports, FactSet, UBS estimates and analysis

Figure 14: ...yet its margins are below the CPG industry average of ~19% operating margin



Source: Company reports, FactSet, UBS estimates and analysis

Figure 15: Over the last 10 years, the GCCS has seen overall margins decline roughly 100 bps (from 17.9% in 2003 to 16.8% in 2013); looking forward, we do expect gradual improvement back towards 17%+ margins, but this again assumes stable demand and cooperative FX (and commodity) markets



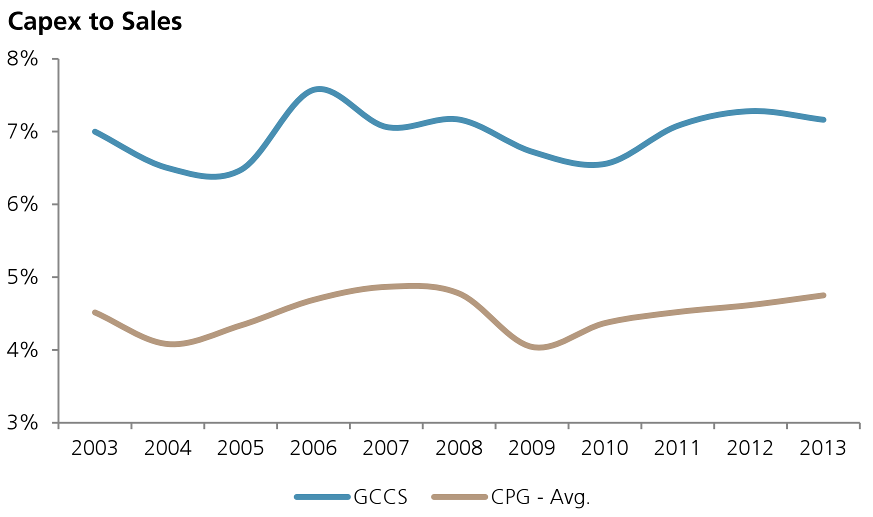
Source: Company reports, FactSet, UBS estimates and analysis

Generally Above-Average Rate of Capital Intensity

Moreover, despite its scale, GCCS' capex is ~250 bps greater than those of its peers, measured as a percentage of sales. This relatively high capital intensity is a function of KO's rapid investment in new markets and its tendency to rely on system-owned manufacturing, distribution, and merchandizing vs. relying on third parties and/or retailer support for those functions (as do most other CPG businesses). This higher degree of capital intensity has been evidenced not just recently, but over time as a structural characteristic of the GCCS.

Despite its scale, GCCS' capex is ~250 bps greater than those of its peers, measured as a percentage of sales

Figure 16: Moreover, despite its scale, GCCS's capex is ~250 bps greater than those of its peers, measured as a percentage of sales



Source: Company reports, FactSet, UBS estimates and analysis

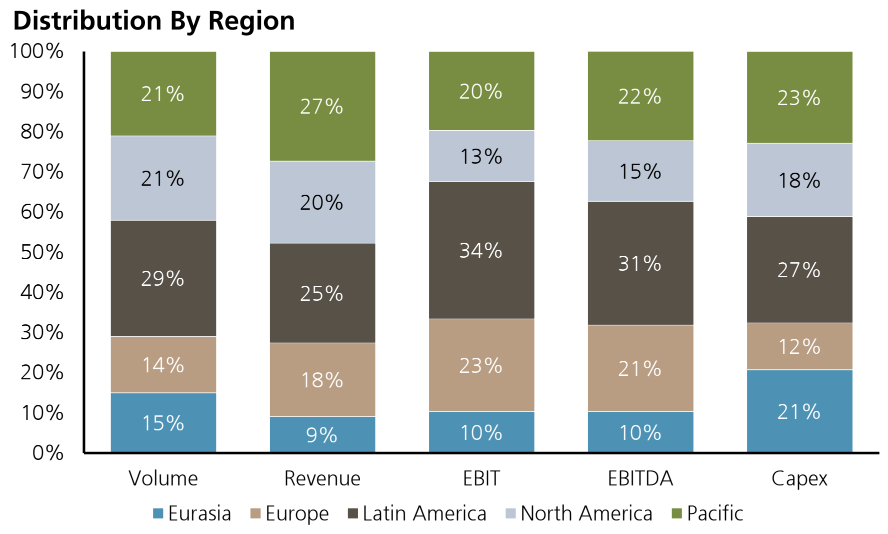
System Economics Vary Significantly by Region and/or Country

Within this overall system, volumes, revenue, profit, and capital spending can vary meaningfully from region to region. Latin America, for example, accounts for 29% of system volume, only 25% of system revenue, but 34% of system profits (EBIT) and only 26% of system capex. By contrast, North America accounts for 21% of system volume, 20% of system revenue, 18% of system capex, but only 13% of system profits.

Within the GCCS, volumes, revenue, profit, and capital spending can vary meaningfully from region to region

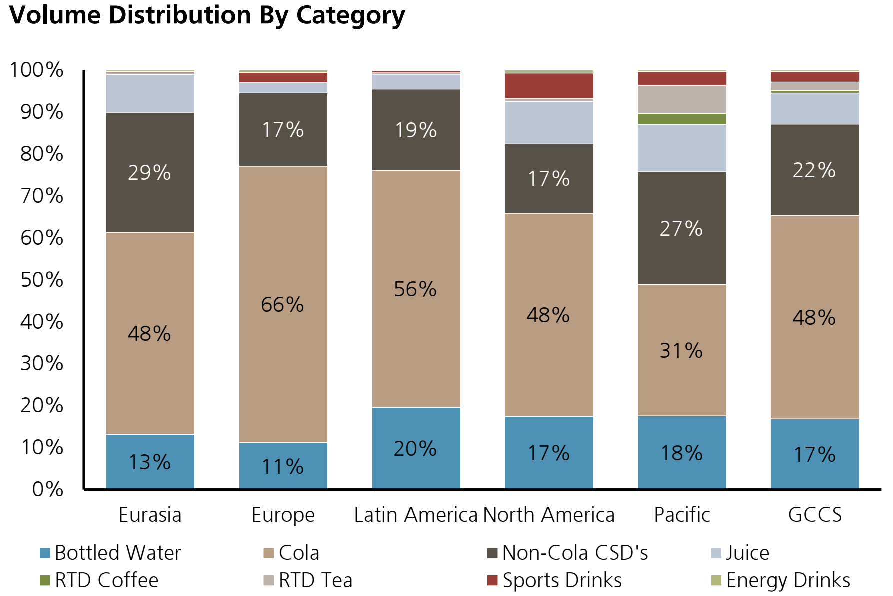
Overall, compared with their base volume distribution, Europe and the Pacific region over-index on revenue; Europe and Latin America over-index on system EBIT; and Eurasia & Africa and the Pacific region over-index on capex (given outsized ongoing investments to build scale in markets such as China, India, etc.).

Figure 17: GCCS Volume, Revenue, Profit, and Capex distribution



Source: Company reports, FactSet, UBS estimates and analysis

Figure 18: Globally, the GCCS skews towards the CSD category, colas in particular—except for in the Pacific region, where non-cola CSD's make up a large portion of sales volumes



Note: Above volume distribution reflects off-trade sales volume only. The inclusion of on-trade volume would slightly skew the mix of the GCCS further towards Cola and Non-Cola CSDs. In 2013, all-in CSD volume represented 74% of the GCCS's global mix (vs. 70% above), and in North America CSDs represented 68% of all-in mix (vs. 65% above).
Source: Euromonitor, UBS estimates and analysis

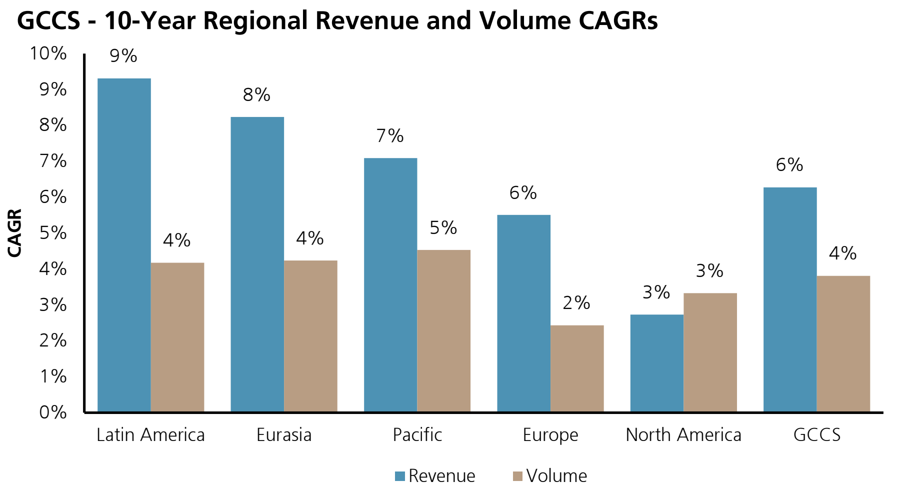
Growth Variations

GCCS revenues have grown by 14% and 84% in total over the past five and 10 years, respectively. This growth has been primarily driven by the Latin American, Eurasian, and Pacific regions, due to the emerging markets housed in these regions, such as Brazil, China, Turkey, and India—partially offset by the inclusion of

slower-growth developed markets also housed in those regions (eg, Japan and Australia in Pacific) and influenced over time by FX fluctuations.

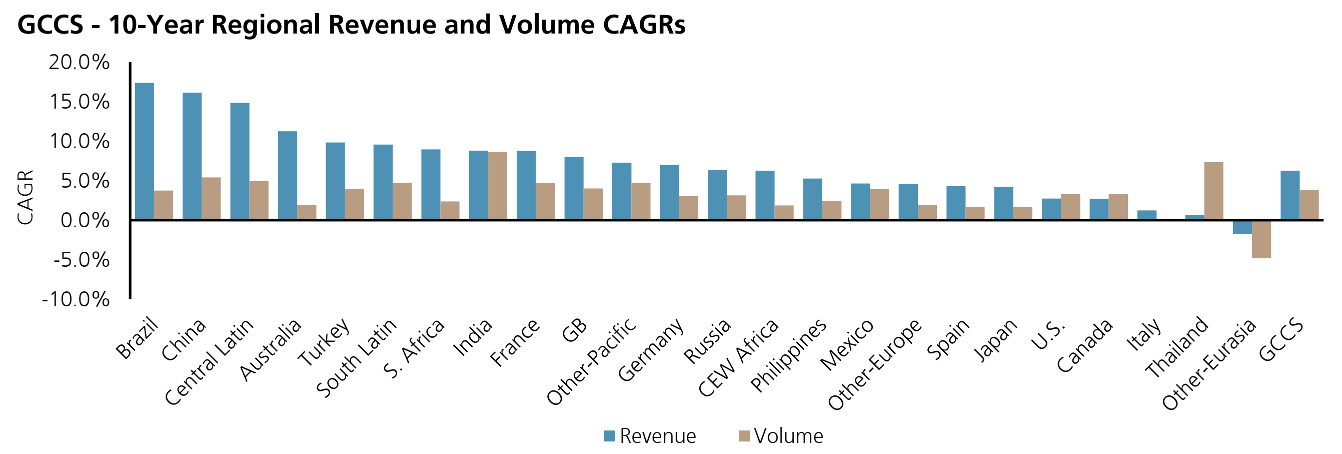
In more exclusively developed markets, such as Europe and North America, volume growth has been slower due to relative economic stagnation (especially most recently), exacerbated in many instances by health concerns and, in some cases, taxes/regulation directly impacting Coke's categories (eg, the 2013 "soda taxes" implemented in France).

Figure 19: Growth in LatAm, Eurasia, and Pacific has outpaced that in Europe and North America due to these geographies' high level of emerging market exposure…



Note: All-in growth; includes FX fluctuations and may include M&A; historical KO resegmentations may introduce error.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 20: …these high-growth emerging markets include Brazil and other Latin American countries, China, Turkey, and India

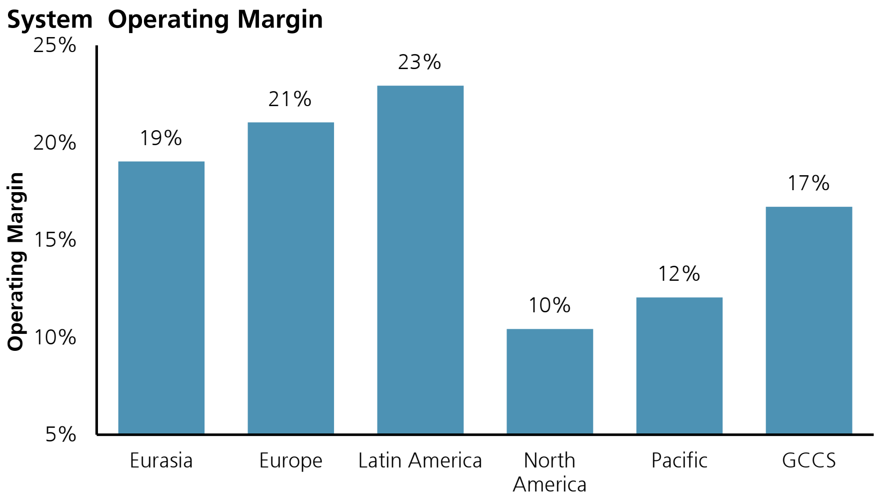


Note: All-in growth; includes FX fluctuations and may include M&A; historical KO resegmentations may introduce error.
Source: Company reports, FactSet, UBS estimates and analysis

Margin Variations

As we mentioned, margins across the different regions of the GCCS also vary widely. North America and the Pacific are the weakest performers of the group. In North America, we believe this is due to an excessive and inefficient manufacturing and distribution footprint (ie, a suboptimal supply chain)[6], coupled with little to no real pricing growth and elevated advertising requirements, given competition. In the Pacific, below-average margins are due to a combination of developed market inefficiencies in Japan and still-burgeoning but subscale operations in China and India. Overall, Pacific margins would be even lower if not for the inclusion of certain higher-profitability markets such as Australia.

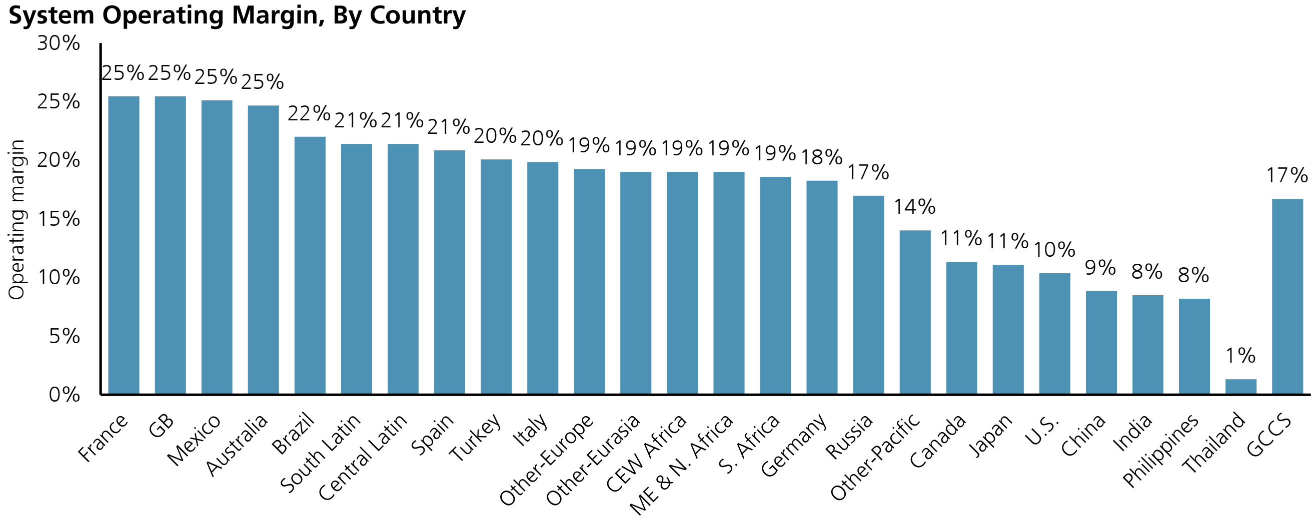
Figure 21: Margins across different regions of the GCCS vary widely, with North America and Pacific the weakest performers of the group



Source: Company reports, FactSet, UBS estimates and analysis

[6] See "**KO, PEP – A Prescription for North America**" (April 9, 2014).

Figure 22: In North America, this is due (in our view) to a suboptimal supply chain and little-to-no real pricing growth; in the Pacific, below-average margins are due to a combination of developed market inefficiencies in Japan and still-burgeoning but subscale operations in China and India (partially offset by higher-profitability markets such as Australia)

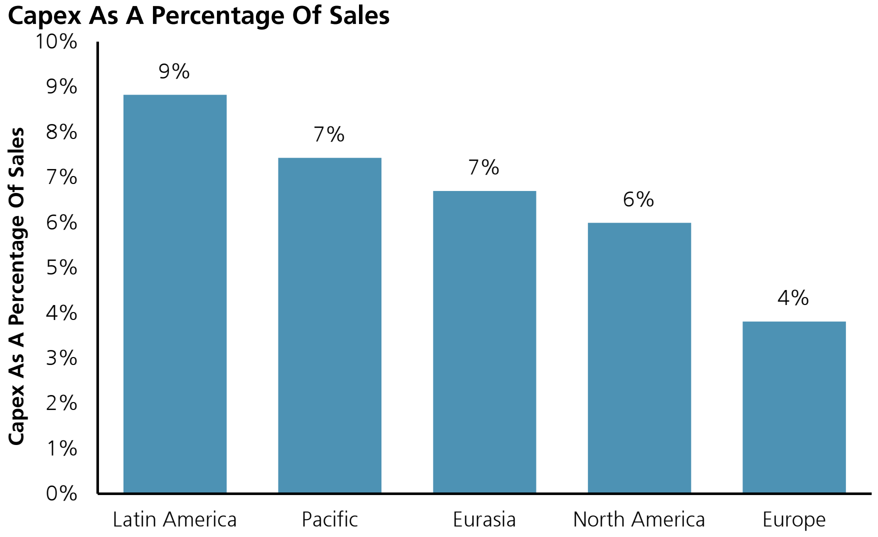


Source: Company reports, FactSet, UBS estimates and analysis

Capex Variations

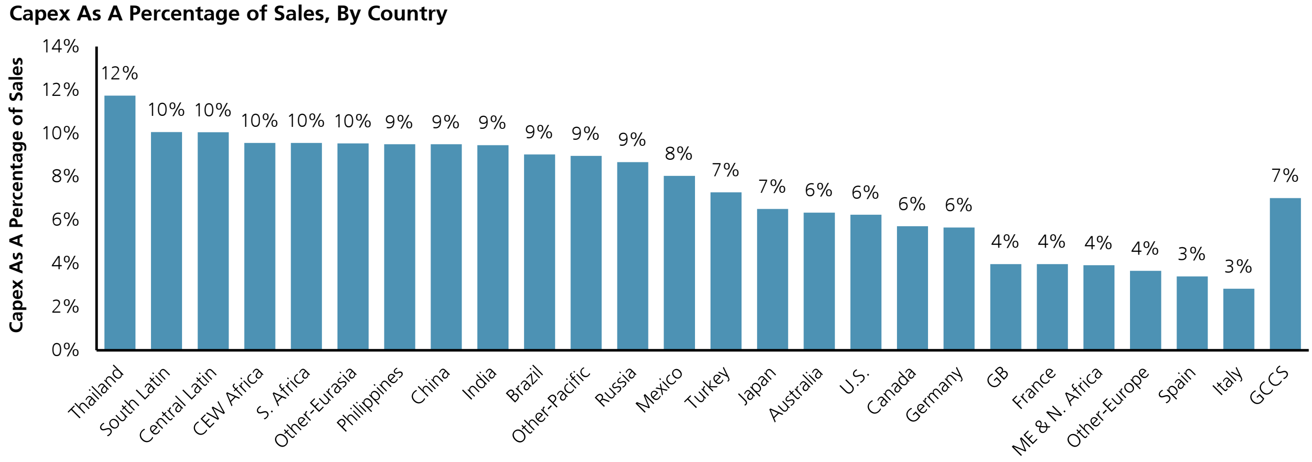
Besides being subscale, emerging markets also require a high degree of capital investment to facilitate the GCCS's penetration of these regions. Capex is also somewhat high in North America (eg, relative to Europe)—a function of North America's oversized system-owned manufacturing and direct store distribution (DSD) model. In both cases, this capital intensity is further exacerbated by suboptimal price realization (and consequently revenue), both of which work to inflate stated capex as a percentage of realized sales.

Figure 23: Emerging markets also require a high degree of capital investment to facilitate the GCCS's penetration of these regions…



Source: Company reports, FactSet, UBS estimates and analysis

Figure 24: In developed markets such as North America and Germany, capex as a percentage of sales is also somewhat elevated due to the high capital costs required to support large, company-owned supply chains



Source: Company reports, FactSet, UBS estimates and analysis

Revenue and Profit per Case Variations

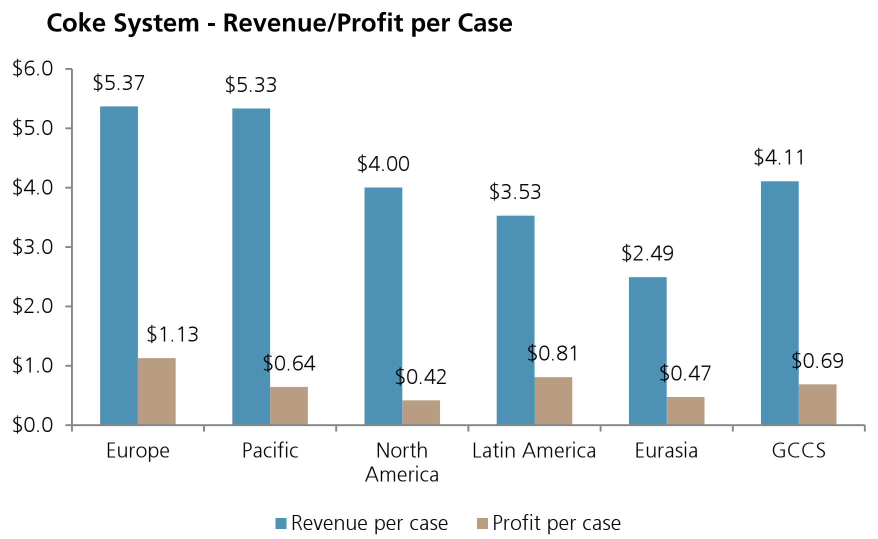
Another way in which to view system variability is through an examination of system revenue and profit per case. As depicted below, these metrics can vary significantly across the system.

On the upper end of the spectrum, there is Europe, which has the highest per-case revenue and profits—although even with Europe, there is variation, with markets such as Great Britain and France offering higher-than-average results, vs. below-average markets such as Germany (where supply chain and price realization issues similar to the US have historically pressured system revenues and profits).

Revenue and profit per case are also quite high in the Pacific. However, this is disproportionately driven by developed markets such as Australia and especially Japan. In Australia, GCCS pricing has been historically high, given a lack of formidable competition and Coca-Cola Amatil's intense price realization efforts. However, price competition in the grocery channel has increased sizably in the past 18 months from the other major player in the Australian market, Schweppes (PEP licensee). In Japan, GCCS pricing is high largely due to a portfolio that mixes towards high-priced products, such as RTD Georgia Coffee (often sold in high-priced channels, such as vending). Overall, Pacific revenue per case comes in at $5.33 and profit per case comes in at $0.67. However, if we exclude Japan and Australia from Pacific, revenue per case falls to $2.99 and profit per case to $0.33—more representative of the emerging market economics also observed in Eurasia.

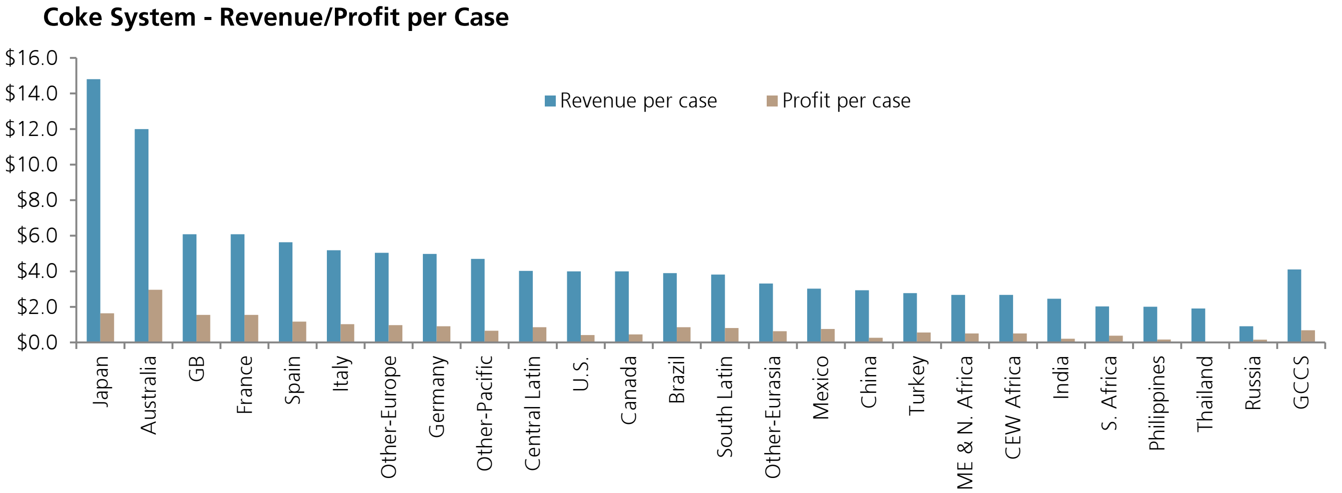
Although still viewed as an emerging market region, Latin America exhibits far better revenue and profit realization per case than either Eurasia or comparable markets in Pacific. This is a due to a combination of greater scale and higher per-capita consumption in Latin America vs. other emerging markets, very limited competition (whether from PepsiCo or local players), and excellent execution by Latin American bottlers.

Figure 25: Another way in which to view system variability is through an examination of system revenue and profit per case…



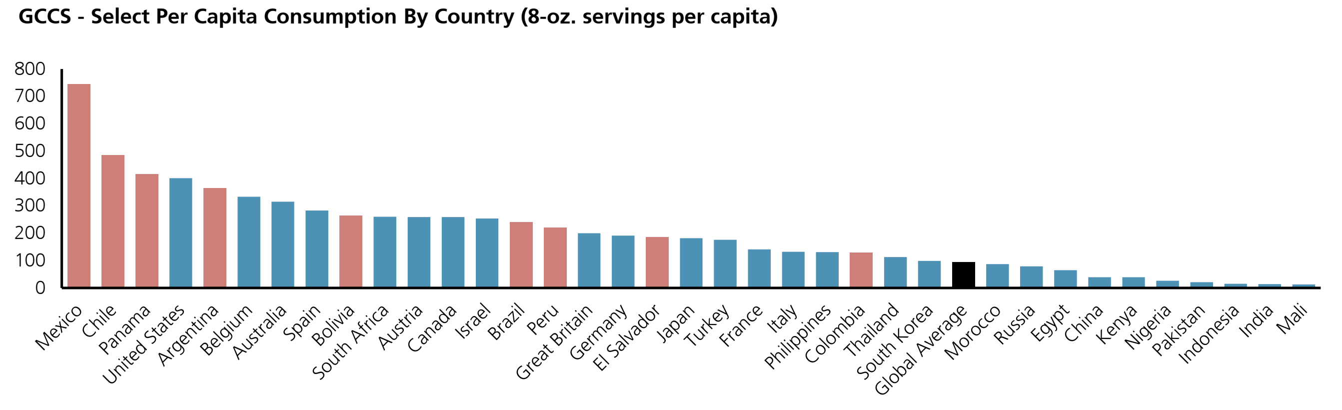
Source: Company reports, FactSet, UBS estimates and analysis

Figure 26: …which, as depicted in this figure, can vary significantly across the system



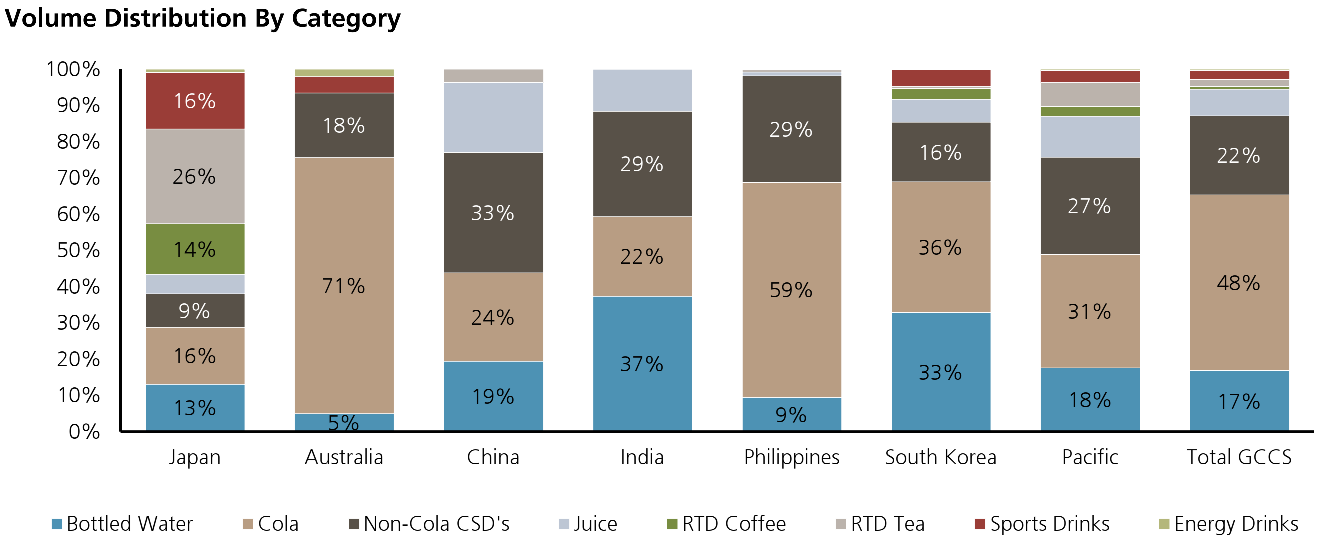
Source: Company reports, FactSet, UBS estimates and analysis

Figure 27: Latin America exhibits far better revenue and profit realization per case than comparable emerging markets; this is a due to a combination of higher per capita consumption (ie, greater scale) in Latin America, limited competition, and excellent execution by Latin American bottlers



Source: Company reports (2012)

Figure 28: In Japan, GCCS pricing is high largely due to a portfolio that mixes towards high-priced products, such as RTD Georgia Coffee (often sold in high-priced channels, such as vending)



Note: Off-trade volume only.
Source: Euromonitor, UBS estimates and analysis

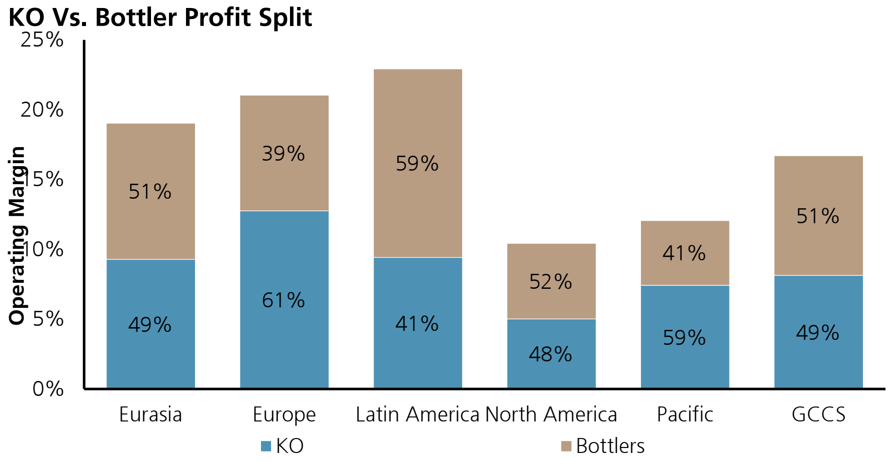
KO vs. Bottler Economics

Within the GCCS , the distribution of profits between KO and its bottling partners can vary materially by market

Within the GCCS, the distribution of profits between KO and its bottling partners is a key factor influencing interrelations between the two and yet another factor that can vary significantly based on the condition of the respective market. Overall, across the system, we estimate that profits between KO and its bottling partners are split ~50-50% globally, and that is also true in North America and Eurasia.[7] However, in regions such as the Pacific and Europe, KO controls closer to about 60% of system profits, whereas in Latin America, the bottlers control closer to 60% of system profits.

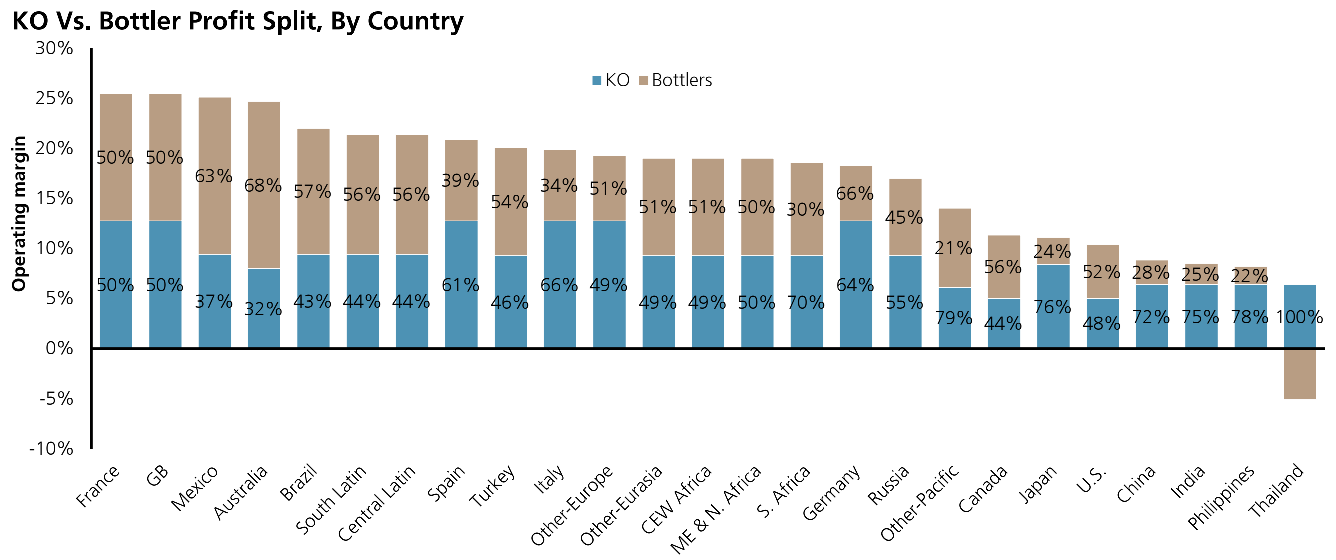
[7] Note that we have attempted to separate KO-owned bottling functions from KO-owned concentrate functions. In that way, all KO Bottling Investment Group profits are considered "bottler" profits. In addition, we have made estimates to separate CCR's specific profits from KO North America, and added those to the "bottler" profit pool in N. America as well.

Figure 29: Overall, profits between KO and its bottlers are split ~50-50% globally (this is also true in North America and Eurasia)…



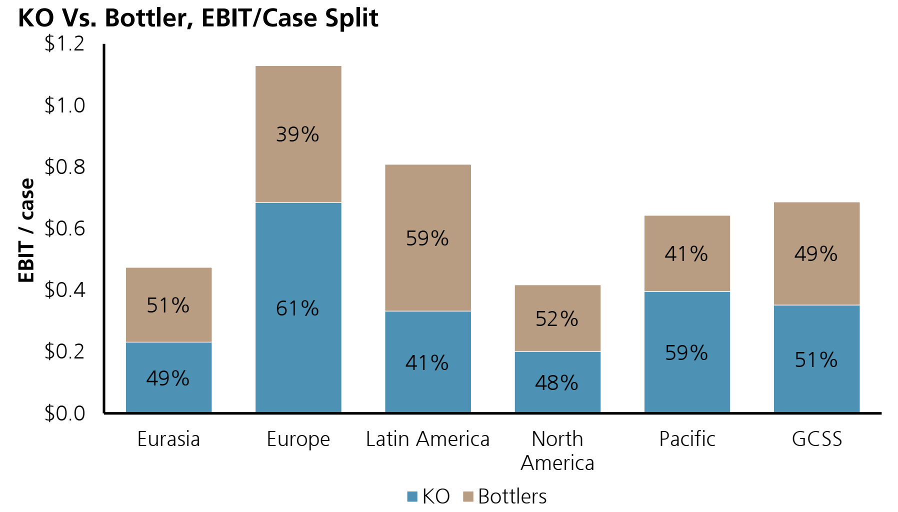
Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 30: …and in certain sizable KO markets such as France and GB…



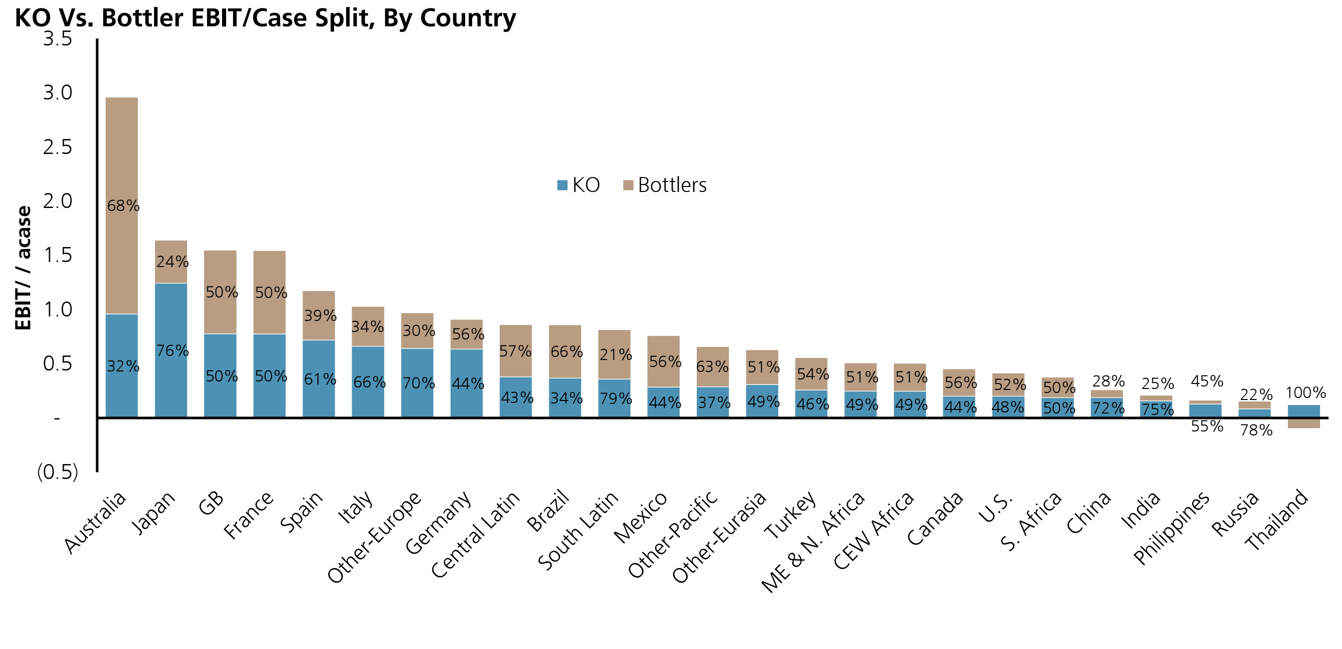
Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 31: …however, in the Pacific and Europe, KO controls closer to about 60% of system profits, whereas in Latin America, the bottlers control closer to 60% of system profits



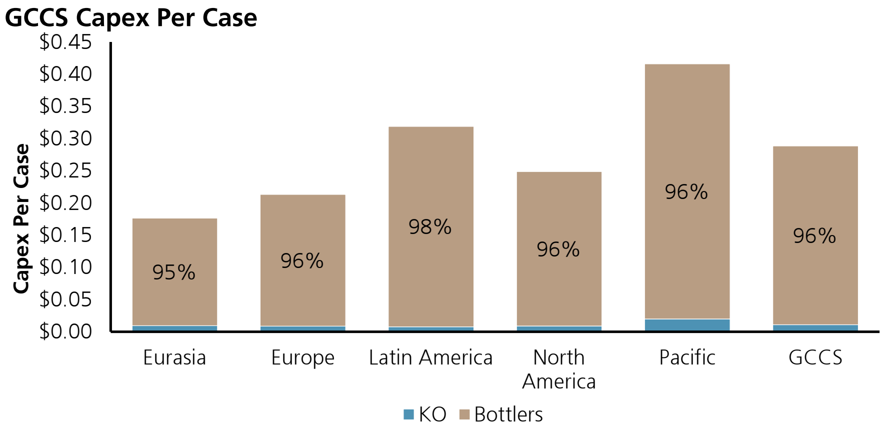
Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (egg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 32: On a country basis, bottlers' share of profits is highest in markets such as Australia and Mexico, whereas KO controls more of the profit pool in markets such as Japan, Germany, Italy, China, India and the Philippines



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 33: Of course, one thing that is fairly constant across the GCCS is that KO's bottlers generally bear the brunt of system capex requirements



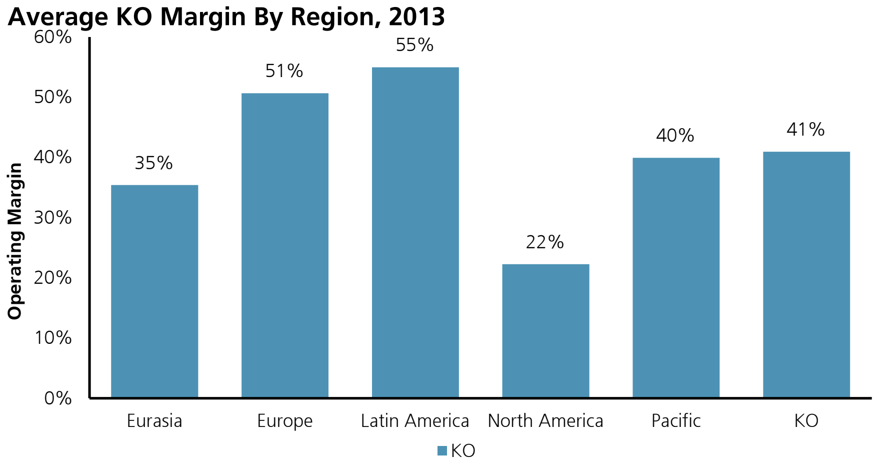
Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Generally, we believe KO looks to earn 40%+ operating/EBIT margins when it serves as concentrate provider, which it is doing today overall, especially in Europe, Latin America, and the Pacific. Margins are slightly below that level in Eurasia but should scale with continued market development. In the US, we estimate that KO's concentrate margins are only ~22% after separating out theoretical CCR profit contributions (themselves suboptimal, as we shall see below)—underscoring KO's need for improving North American profitability materially if it is ever to fulfil its refranchising aspirations.

Generally, we believe KO looks to earn 40%+ operating/EBIT margins when it serves as concentrate provider; in the US, we estimate that KO's concentrate margins are only ~22% after separating out theoretical CCR profit contributions (themselves suboptimal)

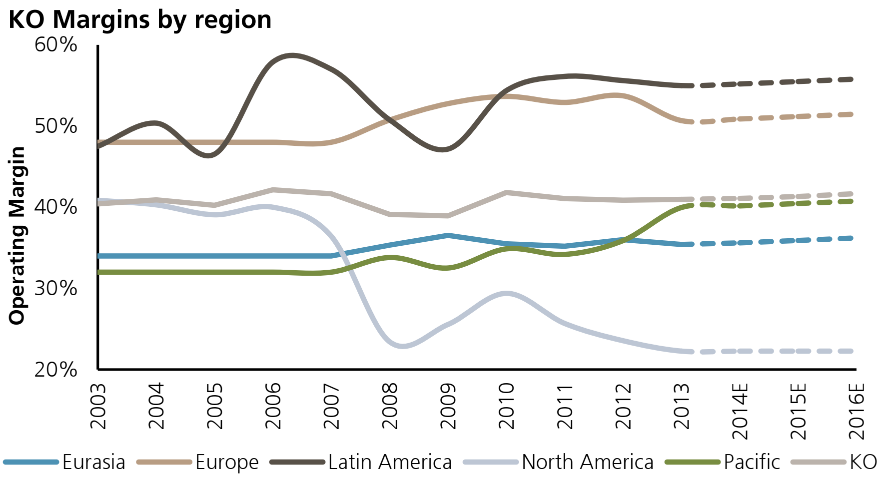
Over time, KO's margins have been relatively stable, albeit degrading in North America, given perpetual volume and pricing pressures (and a historically-high KO-owned percentage of the profit pool).

Figure 34: KO earns what we believe to be target margins of ~40% in Europe, LatAm, and the Pacific; margins today are slightly below that level in Eurasia, but should scale with continued market development…



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 35: … US margins have fallen to only ~22%, underscoring the need KO has for improving North American profitability materially if it is ever to fulfill its refranchising aspirations



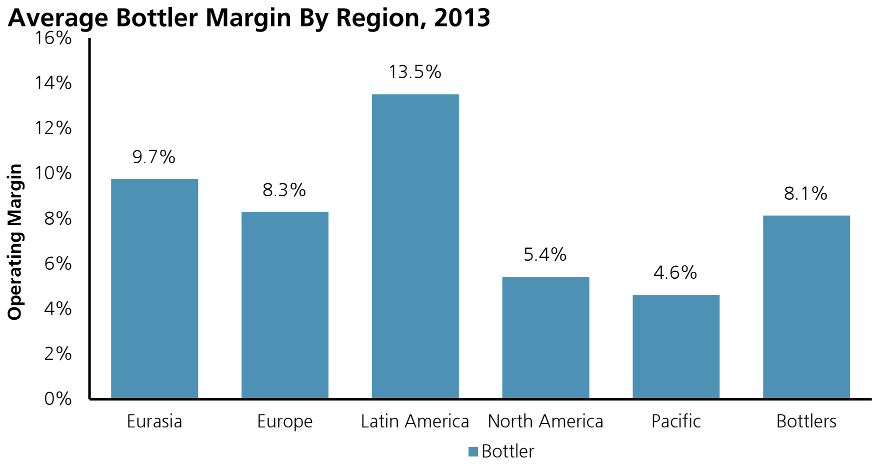
Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Bottler margins are healthy in Latin America (~13.5%), but total only ~5% in North America and the Pacific

Bottler operating/EBIT margins are more variable than KO's own. They are highest in Latin America (still a healthy growth market with capable bottlers, scale, and minimal competition). They are also generally healthy in Eurasia and Europe (exceptions such as Germany notwithstanding). However, bottler margins remain low in North America and in the Pacific. In North America, low margins are the result of volume deleverage, negative category mix, and a lack of real pricing. In the Pacific, low margins (only partially offset by premium margins in Australia) are the result of subscale emerging market operations in markets such as China and India on the one

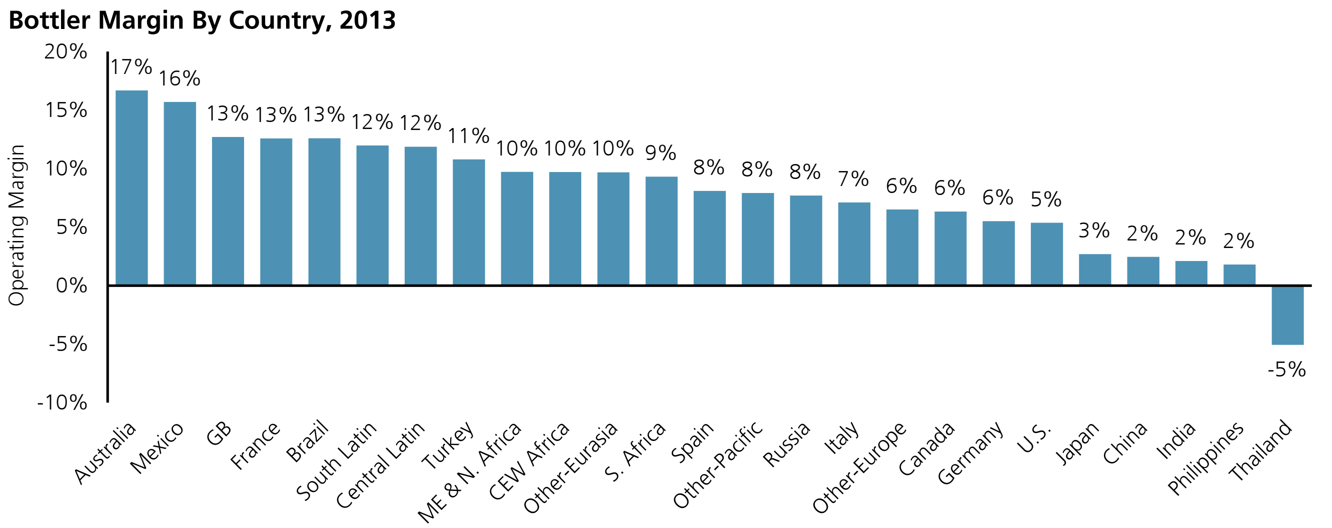
hand and notoriously low Japanese margins on the other (where KO and its bottlers are pursuing a consolidation strategy to theoretically improve scale).

Figure 36: Bottler margins are more varied than KO's—they are high in Latin America (a healthy growth market with capable bottlers, scale, and minimal competition), similarly so in Eurasia and Europe…



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 37: …however, in North America and Pacific (Australia notwithstanding), bottler margins are low due to inefficiencies in the developed markets (US and Japan) and subscale operations in emerging markets (eg, China, India, Philippines, Thailand)



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Over time, bottler margins have been fairly steady, the biggest change being in Latin America, where bottler margins have fallen from 17% in 2003 to 14% in 2013. As a result, KO has steadily gained share of the system profit pool over time in Latin America; bottlers still hold the majority but if this trend continues it could lead to friction within the system.

However, bottler margins have been falling in Latin America—a trend that could conceivably lead to friction within the GCCS should it continue

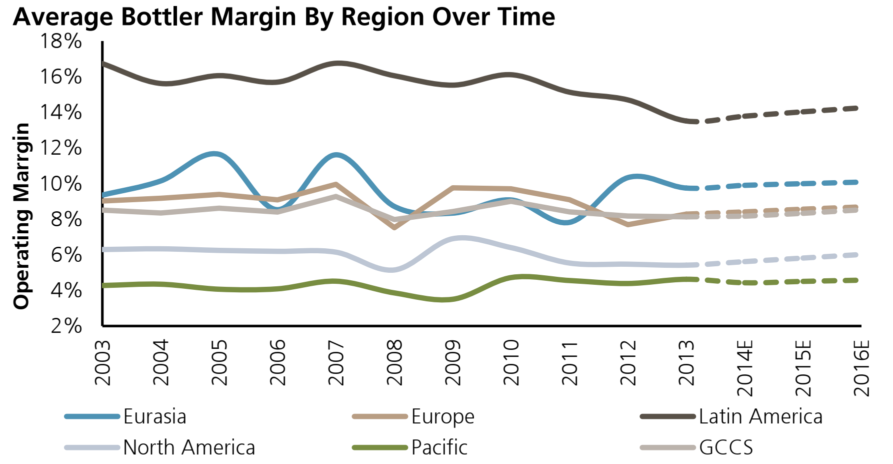
Bottler margins elsewhere seem roughly healthy (or at least stable). The known exceptions to this rule are again Japan, Germany, and the US:

Bottler margins elsewhere are healthy/stable, save for Japan, Germany, and the US (KO owns operations in the two latter markets as a result)

- In **Japan**, KO still owns a high percentage of the profit pool but bottler margins are up off their trough and consolidation efforts will now be given a chance to run their course.
- In **Germany**, where KO owns the country's bottling operations (CCEAG), KO has returned the market to volume growth these past few years; however, margins have grown mainly due to inter-party pricing adjustments between KO Europe and CCEAG (ie, lower concentrate pricing charged to CCEAG). Looking ahead, we believe any form of traditional, stand-alone refranchisement (and/or an acquisition from an bottler such as CCE) is unlikely until KO can further improve margins through either realized supply chain efficiencies within CCEAG and/or realizing a greater degree of wholesale pricing (ie, pricing above inflation).
- Finally, in the **US**, KO faces similar challenges to Germany, albeit on a larger scale. Here too, KO owns nearly all bottling operations (and has since 2010), yet it has also seen system margins steadily fall since that time. To improve system and bottler margins (and also facilitate promised refranchisement), we believe KO must seek to realize more pricing and must also more aggressively work to restructure the existing "Coca-Cola Refreshments" supply chain (ie, both reducing and variabilizing current manufacturing and distribution costs). Our math and logic are simple—ie, without a larger profit pool KO cannot effectively split it amongst partners without either giving up its "fair share" of the pool (and diluting KO shareholders) or asking partners to operate with razor-thin margins of their own (which is likely neither compelling nor sustainable for prospective partners).[8]

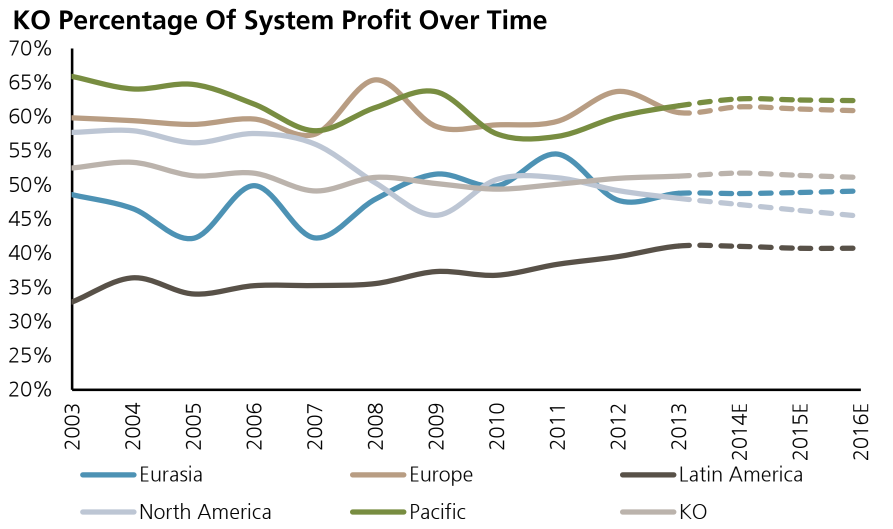
[8] See again "**KO, PEP - A Prescription for North America**" (April 9, 2014). We see this basic math as the primary reason why KO's refranchising efforts have not moved further along or more quickly to this point. We further see it as highly unlikely that KO is able to attract high-profile/high-quality partners (eg, FEMSA, Arca, or CCE) into the US market without first offering far more compelling economics.

Figure 38: Bottler margins have been fairly steady over time, the biggest change being in Latin America, where bottler margins have fallen from 17% in 2003 to 14% in 2013…



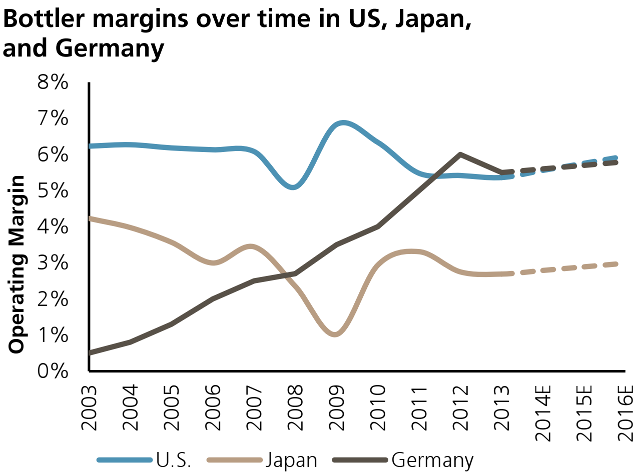
Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 39: …As a result, KO has steadily gained share of the system profit pool over time in Latin America; bottlers still hold the majority but if this trend continues it may cause trouble



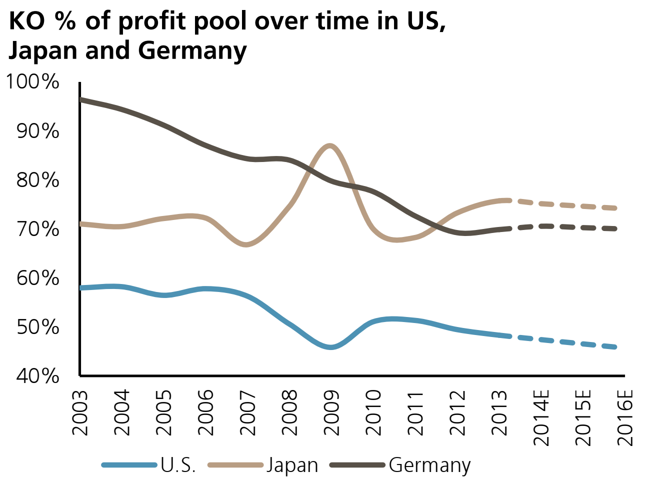
Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 40: In the US and Japan, bottler margins have fallen since 2003, while in Germany, margins have grown but remain suboptimal



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 41: As a result, KO continues to control a disproportionate percentage of profits in Germany and Japan; in the US, we estimate the theoretical profit split to be more even (but we also see, as discussed above, KO's theoretical own margin as far below target—creating challenges no less acute)



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

The GCCS "S-curve" and Potential Problem Spots

Codifying some of the dynamics discussed above, we have seen an "S-curve" develop within the GCCS over time: Phase I – Emerging/Growth Markets; Phase II – Mature but Healthy Markets; Phase III – Stagnant/Troubled Markets

Across the GCCS, KO and its bottlers generally describe their current relationships within the system as cordial and strong today. That said, as in any franchise system (and as mentioned above), intra-system problems can emerge when business conditions come under stress and struggles develop over who is to blame and how the (smaller) profits should best be split. With this in mind (and codifying some of the dynamics discussed above), we have seen a kind of "S-curve" develop within the GCCS over time:

(1) **Phase I: Emerging/Growth Markets (eg, China, India):** Initially, in markets with low per-capita consumptions but fast GDP/beverage consumption growth, local partners (bottlers) are established to make and distribute Coke products. Typically, these bottlers earn relatively low levels of income as the cost of growth and establishing scale (combined with relatively low levels of market pricing) erode most profits. Markets such as China, India, and Icecek's international markets (ie, ex-Turkey) are at this stage currently.

(2) **Phase II: Mature but Healthy Markets (eg, Australia, Mexico, Great Britain):** Over time, as Coke markets develop and per-capita consumptions rise (typically above 100 8-oz. servings per person per year), bottler margins begin to inflect higher as critical mass is attained. As long as growth continues, KO and the bottling partner enjoy accelerating profits, with most of the incremental profitability accruing to the bottler (to make up for past investments and reward and incentivize it for continued growth). Turkey (Coca-Cola Icecek), Australia (Amatil), NW Europe, and Latin America can be characterized within this stage today.

(3) **Phase III: Stagnant/Troubled Markets (US, Germany, Japan, Philippines):** Ultimately, however, if a market stumbles, stagnates, or runs into trouble (eg, if volume growth ceases, pricing/competitive conditions become too adverse, and/or macro conditions deteriorate), bottler margins can again come under pressure, leading to friction within the system (and potentially intervention measures by KO itself). Over time, as discussed above, such conditions have evolved in Germany, the Philippines, North America, and Japan.

Throughout this "S-curve" cycle, we estimate that KO's margins as concentrate provider remain relatively even, such that its share of the profit pool is much higher in the Emerging/Growth and Stagnant/Troubled states of affairs (in nearly all markets, KO controls concentrate pricing and any discretionary marketing/capex dollars that may be allocated from time-to-time). However, if this profit split skews too far towards KO (and away from the bottler), and the bottler is not able to remain solvent, the tail risk for the KO investor is that the company is forced to acquire that bottler.[9]

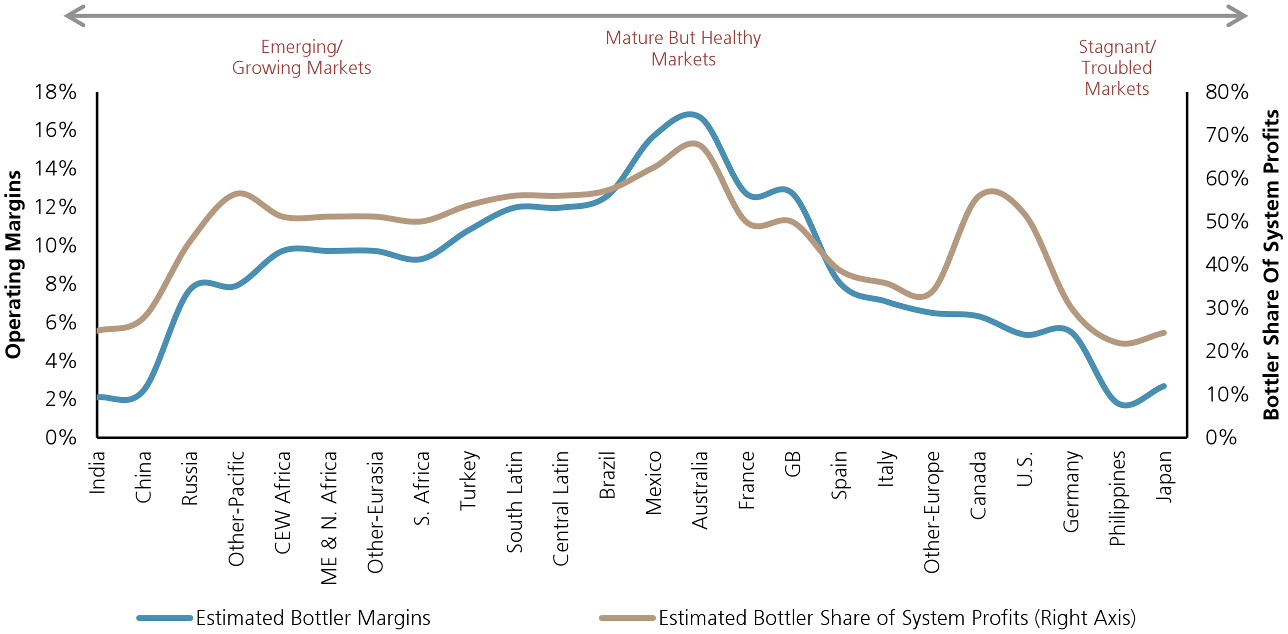
As we look at the GCCS today, we again see fairly healthy relationships outside of where there are known issues (eg, the US and Germany). However, if growth slows further in markets today perceived as healthy (eg, Latin America, Northwest Europe, Australasia), we believe we could see problematic pressures mount on relationships between Coke and its key partners (eg, KOF, Arca, CCE, Amatil). After multiple years of pressured growth and profits, we saw KO raise "incidence rates"[10] on Hellenic earlier in 2014 (despite Hellenic's markets still being difficult and Hellenic's margins still well below peak levels), causing a degree of friction and apprehension throughout the larger GCCS.

As we look at the GCCS today, we see fairly healthy relationships outside of where there are known issues (eg, the US and Germany); we are most focused on Latin America, NW Europe, and Australasia for any potential "tail-risk" system disruptions

While we also monitor conditions in China and India, we believe all parties in that market are playing a long-term game and willing to ride out periods of near-term constraints without changes to the status quo. Similarly, bottling conditions/profitability in Japan also seem tenuous, but Coke and its partners in that market seem keen to try to fix them in the current construct—ie, without the company taking wholesale ownership any time soon (eg, through bottler consolidation, as we have seen in the recent establishment of Coca-Cola East Japan). Therefore, we are most focused on Latin America, Northwest Europe, and Australia for any potential "tail-risk" system disruptions.

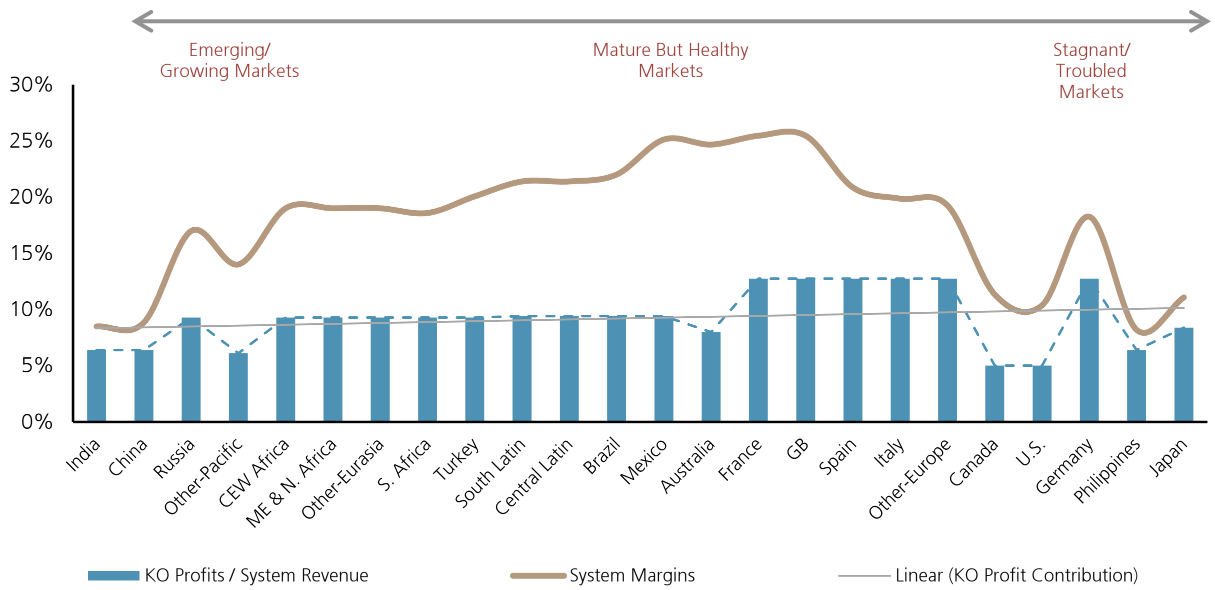
[9] For example, Coke today owns bottling operations in China and India (Growth markets, where KO is choosing to lead fellow bottlers "by example"), but also Germany and North America (Stagnant/Troubled markets, where KO has been forced to intervene).
[10] Incidence rates are percentages of wholesale revenues earned by bottlers that are in turn paid by bottlers to KO as a form of license/concentrate payments.

Figure 42: Over time, we've seen a kind of "S-curve" relationship develop within the Coke System—ie, low bottler margins and share of the profit pool at early/late stages vs. high bottler margins and share of the profit pool when times are good



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

Figure 43: Throughout this "S-curve" cycle, we estimate that KO's margins as concentrate provider remain relatively even, so that its share of the profit pool is much higher in the "early" and "late" stages



Note: In the above, UBS has treated estimated profits generated by all KO-owned bottling functions (eg, BIG plus CCR) as profits generated by bottlers rather than by KO itself.
Source: Company reports, FactSet, UBS estimates and analysis

ie

Company-Specific Takeaways

Coca-Cola FEMSA -Coca-Cola FEMSA (Buy)

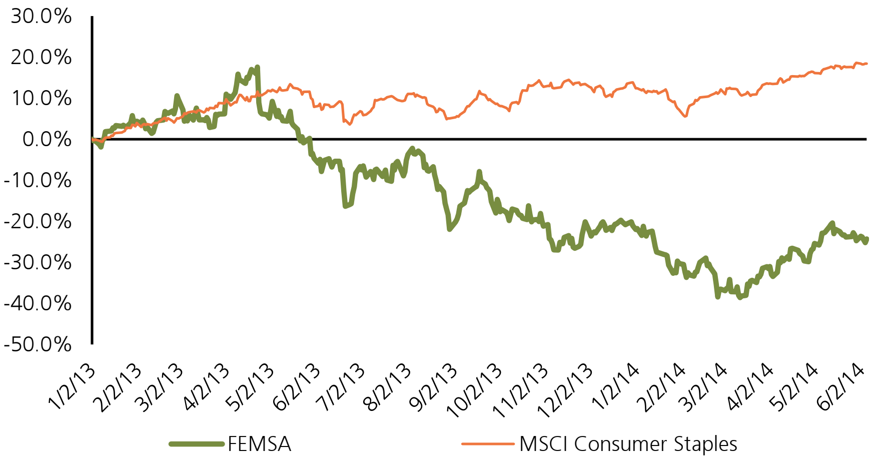
Coca-Cola FEMSA is the largest franchise bottler of KO products, and arguably the strongest

- High per-capita consumption, minimal competition, strong pricing
- Managing through regulatory and currency headwinds well
- We expect South American volume growth to reaccelerate in 2014

Coca-Cola FEMSA (KOF) is the largest franchise bottler of Coca-Cola products in the world. The company operates in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil (southeast), Argentina (Buenos Aires), and the Philippines. As we mentioned, many of these markets are some of the healthiest in the GCCS, as they have high per-capita consumption (ie, greater scale) and minimal competition, which allows for pricing flexibility.

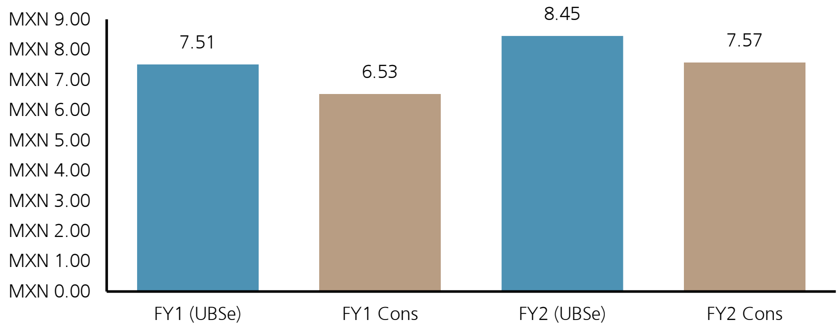
While KOF is facing headwinds, such as a new for 2014 soft-drinks excise tax of Ps 1 /litre in Mexico and adverse currency trends in South America, we believe it is managing through them well, as Mexico is exhibiting better than expected price elasticity and the company has a renewed focus on operating improvement in South America. As such, we expect volume growth to accelerate in South America in 2014.

Figure 44: Coca-Cola FEMSA—TTM Performance vs. MSCI Consumer Staples



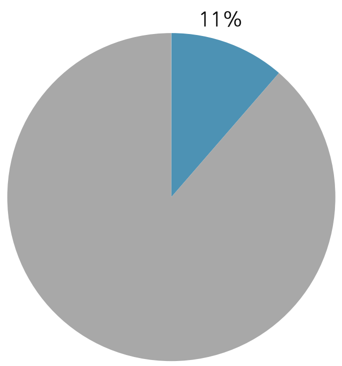
Note: All performance stated in USD.
Source: FactSet, UBS analysis.

Figure 45: Coca-Cola FEMSA— UBSe vs. Consensus



Source: FactSet, UBS estimates

Figure 46: Coca-Cola FEMSA— Volumes as a Share of the System



Source: Company data, UBS

Figure 47: Ownership structure

Coca-Cola FEMSA	
Public	24.0%
The Coca-Cola Company	**28.1%**
FEMSA	47.9%
	100%

Source: Company data, Thomson Reuters

Arca Continental SAB (Buy)

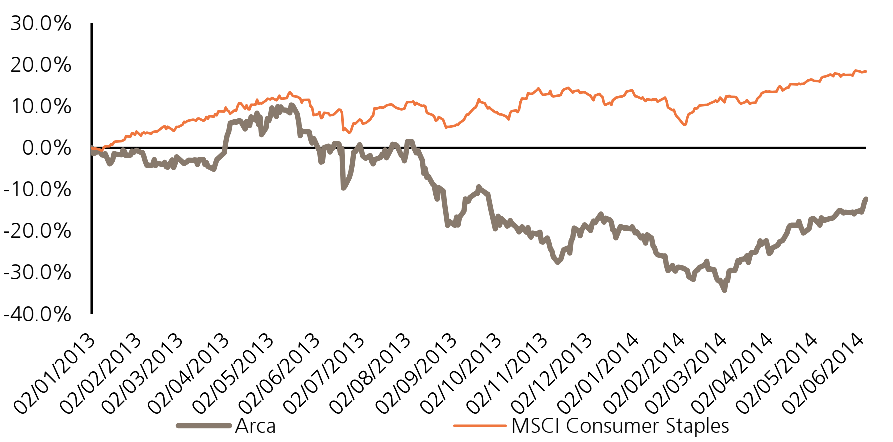
- Recent share gains from returnable packaging
- Managing through regulatory and currency headwinds well
- One of the most profitable operations in the GCCS

Like FEMSA, Arca is a strong operator in a historically favorable market; in the past, Arca has been one of the most profitable operations in the GCCS

Arca Continental is the second-largest Coca-Cola bottler in Mexico and Latin America, with franchises in Northern and Western Mexico, Ecuador, and Northern Argentina. The company was formed in 2011 from the merger of Embotelladoras ARCA and Grupo Continental and is characterized in part by its production of a high degree of returnable packaging that has facilitated share gains in recent quarters.

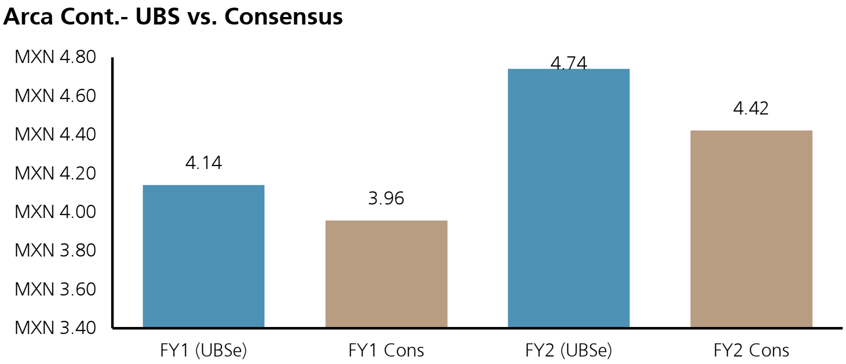
Arca is exposed to similar headwinds as FEMSA, as it has exposure to the newly-regulated Mexican market and the volatile Argentine peso. Also (again like FEMSA), Arca is well positioned to navigate through the more-difficult Mexican operating environment successfully. It has passed through new excise taxes to consumers and implemented cost-cutting initiatives to preserve margins. Historically, Arca has been one of the most profitable operations in the GCCS.

Figure 48: Arca—TTM Performance vs. MSCI Consumer Staples



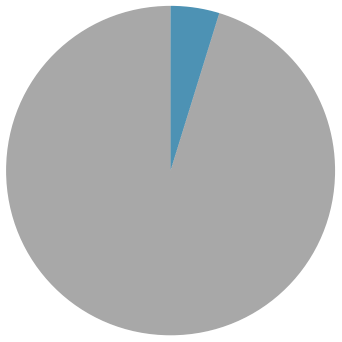
FactSetNote: All performance stated in USD.
Source: FactSet, UBS analysisFactSet

Figure 49: Arca— UBSe vs. Consensus



Source: FactSet, UBS estimates

Figure 50: Arca— Volumes as a Share of the System



Source: Company data, UBS

Figure 51: Ownership structure

Arca Continental SAB	
Public	20.6%
The Coca-Cola Company	**8.6%**
Arca-Continental Control Trust	51.0%
Barragán, Grossman, Fernández and Arizpe families	19.8%
	100%

Source: Company data, Thomson Reuters

Coca-Cola (Neutral)

- Abundance of macro challenges globally
- Ability to refranchise US or German operations made difficult by suboptimal profitability
- Minimization of future tension within other GCCS territories crucial

At the center of the GCCS sits KO—the global brand owner and also operator of large-scale bottling efforts in the US, Germany, China, and India. From an investment perspective, significant upside likely depends on improved global top-line trends, an ability to refranchise bottling operations in the US and/or Germany, and a further ability to avoid challenges in other, currently non-problematic markets.

As such, we are most closely monitoring the following aspects related to intra-system relations:

KO has promised to refranchise the majority of its US bottlers by 2020—whether or not they can improve profitability enough to execute upon this goal is a hotly debated issue

- **US Profitability & Refranchisement**—Will KO be able to successfully stabilize/expand US system margins and restore North America to profit growth, thereby attracting high-quality partners and facilitating refranchisement? We remain skeptical given difficult market and

competitive conditions, as well as KO's cautious approach to supply chain restructuring.

- **German Profitability & Refranchisement**—Much like in the US, will KO be able to improve Germany's bottler return profile (through better price realization and supply chain efficiencies) to better attract potential suitors (eg, CCE)? We remain unconvinced given recent efforts that have seemingly emphasized simple volume growth over return accretion.

- **Avoiding Challenges In Other Markets**—Can KO and its partners avoid troublesome disputes over concentrate pricing/incidence rates and profit pool splits in markets facing slowing trends (eg, Australia, Europe, and arguably Latin America)? Will KO be able to avoid future bottler ownership in historically challenging markets such as Japan and the Philippines? Will KO be able to lead markets such as China and India to sustainable scale, profitability, and returns on investment? Here we are more constructive, but not wholly optimistic given dynamics discussed below.

A Slightly "Deeper" Dive Into North America

With respect to the US, as we have indicated, we believe the solution to KO's low profitability (and consequent effective inability to refranchise bottling operations in that market) lies in the company's supply chain, which is inefficient and in overcapacity, and a historical lack of price-taking. We estimate that about 54% of KO's US expense base is fixed vs. ~24% of CCE's expense base—a differential driven partly by KO's excessive number of US plants and reliance on company-owned distribution. Furthermore, KO has ~85 US plants that, on average, are a minimum of less than 100 miles from each other. By contrast, the ABI bottling system has only 12 manufacturing facilities across the US, yet it produces ~60% of KO system volume.[11]

So far, we have yet to see KO take on the task of optimizing this go-to-market model with an accelerated sense of urgency, as its focus appears to remain on modest cost-cutting and elevated marketing spend (coupled with rational pricing) in an effort to restore growth and positive margin leverage. In other words, KO remains focused on trying to grow its way out of North American margin challenges, rather than cost-cut its way out. To be clear, this is a strategy than can work, but we believe it leaves little margin for error. While we take no issue with additional marketing efforts and view price realization efforts constructively, we would be more comfortable with a base plan from KO that envisioned more aggressive productivity initiatives.

In the most recent quarter, KO reported better than expected (on our part and consensus) volume growth in North America (-1% growth vs. UBSe -2%) and indicated that it expects +2-3% CSD price/mix growth in the US in fiscal 2014. While we view these volume trends and KO's stated pricing strategy as a positive, through our analysis of market data and retailer commentary, we have found that current volume growth is likely being at least partially subsidized by a high degree of discounting at the retailer level (ie, the retailer is funding outsized promotional efforts)—a phenomenon that we believe likely to be temporary (although one that seems poised to continue through at least Q214).

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[11] See "**KO, PEP - A Prescription for North America**" (April 9, 2014).

Overall, while we view KO's international prospects as generally more positive in the long run (near-term market/competitive challenges in the UK, Australia, Brazil, Mexico, Japan, China, and Southern Europe notwithstanding), it is difficult for us to move from our Neutral rating on this name until we see more sustainable improvements made in the US (ie, a greater focus on supply chain efficiency and/or more evidence of price/mix growth and margin progression without it)—as this is likely a prerequisite for any complete and successful North American refranchising by KO.

Examples of Effective Partnering Within GCCS

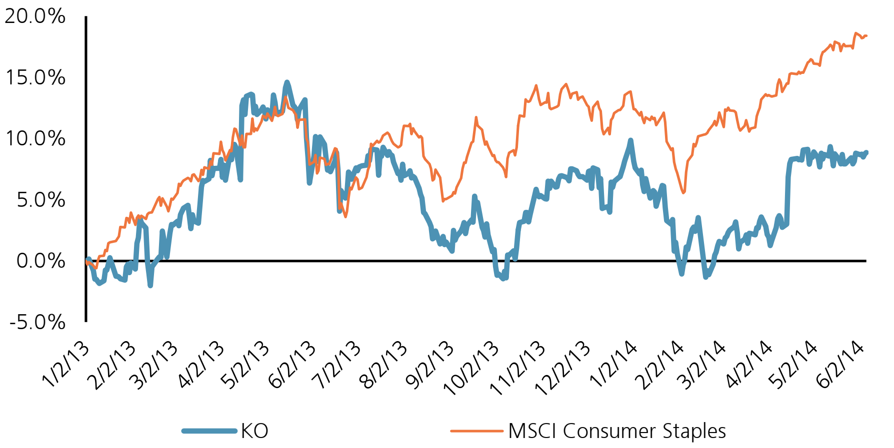
Although we carry some degree of concern regarding troubled markets (ie, those with suboptimal growth, profitability, or both) and the ability of the GCCS to manage them, the GCCS has proven highly adept at partnering to facilitate solutions.

For example, in 2007 in Latin America, KO and Coca-Cola FEMSA jointly acquired Jugos del Valle, the second largest producer of packaged juices and fruit-flavored beverages in Mexico and the largest producer of such beverages in Brazil. In 2008, this JV was expanded to include all Mexican and Brazilian Coca-Cola bottlers. As such, all participants are able to report the (so far outsized) volume growth associated with Jugos del Valle, as well as a portion of proceeds under the equity method, but no single participant is forced to consolidate the associated expenses or invested capital base. This is beneficial because the margin and return profile of juices and juice drinks in Latin America are likely significantly dilutive vs. those of CSDs.

Similarly, in 2013, KO and Coca-Cola FEMSA engaged in another effective transaction. It was long known that KO wished to sell its Philippines bottling assets (CCBPI), just as it was well known that FEMSA was interested in expanding its geographic reach (including into Asia). However, from FEMSA's perspective, CCPBI was likely not yet ready for full acquisition and consolidation (with still suboptimal margins and significant work left ahead of it before a full turnaround could be deemed complete). Still, KO and FEMSA were able to work out a deal whereby FEMSA acquired a 51% non-controlling majority stake in CCBPI. Although FEMSA manages the day-to-day operations of the business, the CCBPI business plan and other operational decisions must be taken jointly with KO for a four-year period (during which time neither party consolidates the entity). In other words, KO was able to effectively "sell" and deconsolidate the asset without FEMSA fully "purchasing" it. Further, FEMSA has an option to acquire the remaining 49% of CCBPI at any time during the next seven years and an option to put/sell its ownership back to KO at any time during year six, thereby further mitigating its risk.

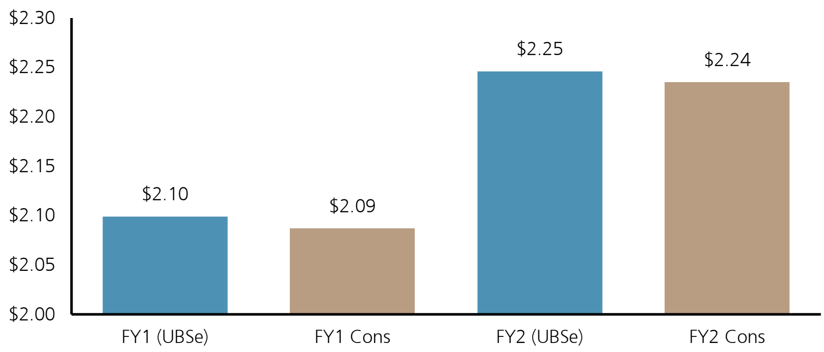
With such precedents, it remains difficult to determine the GCCS's ability to navigate difficult circumstances.

Figure 52: KO—TTM Performance vs. MSCI Consumer Staples



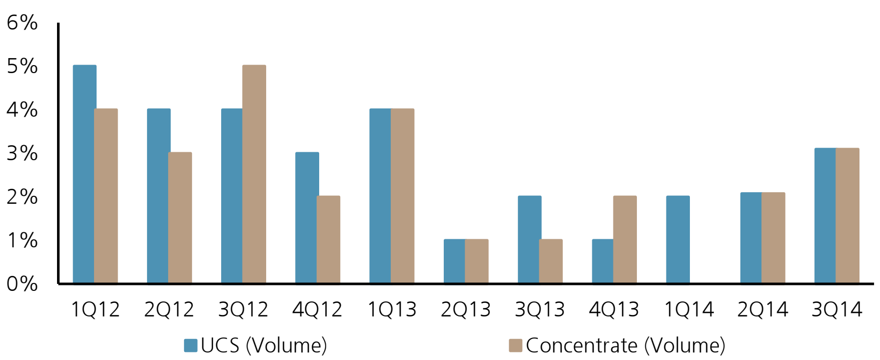
Note: All performance stated in USD.
Source: FactSet, UBS analysis

Figure 53: KO— UBSe vs. Consensus



Source: FactSet, UBS estimates

Figure 54: KO—Volume Growth Over Time



Source: Company reports, UBS analysis

Coca-Cola Enterprises (Neutral)

- In the short-term, facing highly competitive conditions in the UK and currency volatility
- Possible incidence rate hike by KO in 2015 as current agreement comes to term
- Unlikely to acquire German territory until margins improve

We see CCE facing a difficult macro environment, heightened competition, and increasing risk of an incidence-based pricing hike at the hands of KO in the coming year

CCE produces, markets, sells, and distributes non-alcoholic beverages in Western Europe with sales volumes that account for ~5% of GCCS volumes. Since CCE divested North American bottling operations in 2010, volumes and revenue growth have been somewhat lackluster but operating margins have remained relatively stable (in the 12-13% range), given exceptional cost control and a resilient business model (characterized by largely variable third-party distribution costs).

Current Issues

CCE is facing competitive market conditions in the UK (at the hands of PepsiCo and Britvic), lingering macroeconomic/health and wellness challenges across its northwestern European footprint, and fluctuating foreign exchange movements.

In the March quarter, CCE volume growth out of Great Britain was -9.0% due to elasticity following an effective price increase (CCE moved from a 2L to a 1.75L pack without adjusting per-package pricing), retailer destocking, adverse weather, and highly promotional activity on the part of its competitor in this market, Britvic.

The company indicated that it believes conditions in Great Britain will normalize as it drives volume growth through the introduction of new immediate consumption packs and more robust promotional/advertising support. So far, we have not seen improvement in this regard, as the most recent market data indicated -11.4% CCE volume growth in Great Britain in the four weeks ended May 24, 2014 and +.9.2% Britvic volume growth. To be fair, partially offsetting this weakness was +1% volume growth (preceded by several periods of mid-single-digit volume growth) in France (another large CCE market) and likely solid cost control at CCE, a historical strength.

Long-Run/Strategic Issues

On a more macro level, CCE has recently benefited from a currency tailwind, as its revenues are denominated in pounds and euros, both of which have recently been trading at or near historical highs. Currently, the pound and euro are trading in the 99th and 90th percentiles of their historical five-year ranges, respectively. If these prices start to come down (not altogether unlikely), then CCE's currency tailwind will become a headwind.

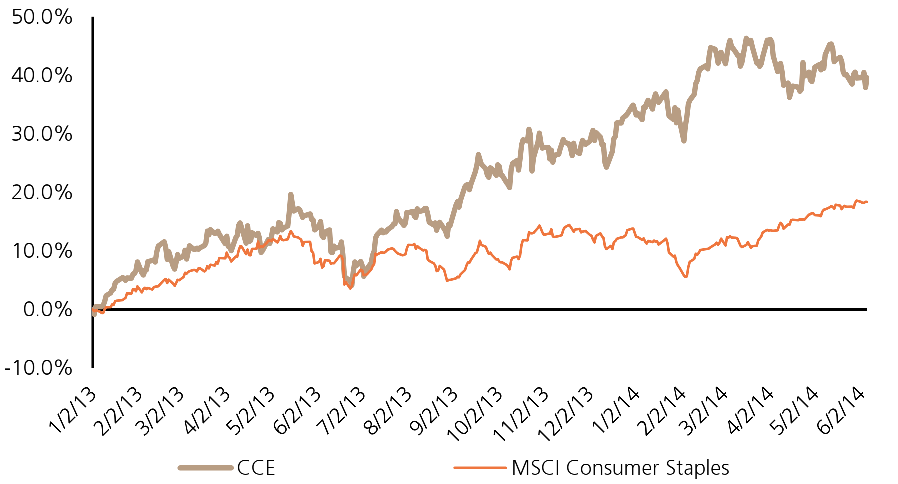
Further complicating CCE's story is its relationship with KO as it relates to: 1) the pricing agreement between the two; and 2) German bottling operations.

CCE is subject to an "incidence-based" pricing agreement with KO that is set to expire in 2015. While both sides are downplaying the potential of any friction as this renegotiation approaches, we see the possibility of KO seeking to raise effective incidence rates, thus raising the price at which it sells concentrate to CCE.

In Germany, bottling operations remained owned by KO after CCE opted out of a potential acquisition in 2013. In our view (and we believe CCE's), the German market for Coke, like the US, suffers from an inefficient supply chain and limited pricing, which has driven suboptimal bottler margins in this region. However, KO now wishes to exit the market as bottler and believes the market is ready for outside ownership (CCE or otherwise). While we do not believe CCE would be willing to acquire German bottling operations until conditions improve, the question of Germany's fate could cloud KO-CCE relations until another buyer is found.

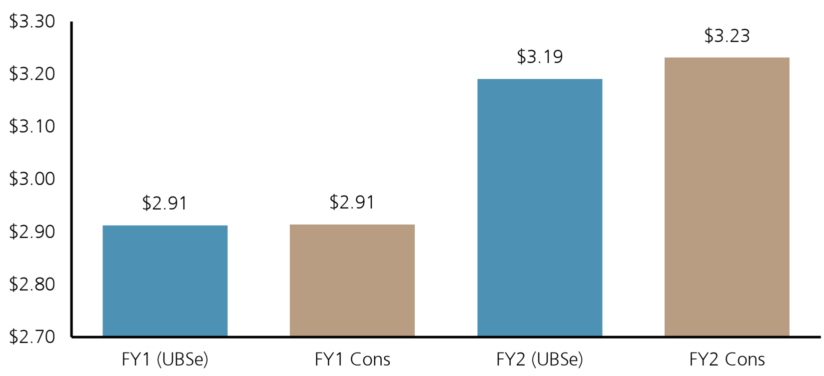
Over the long term, CCE's targets call for +4-6% revenue growth, +6-8% profit growth, and 10+% EPS growth. We see such targets as optimistic, given a portfolio that is nearly 90% tied to CSDs and 100% tied to Western Europe. While CCE is well managed and benefits from dominant share within its markets, we see below-algorithm results as a likely base case. This, plus the concerns outlined above, leads us to remain Neutral on the name.

Figure 55: CCE—TTM Performance vs. MSCI Consumer Staples



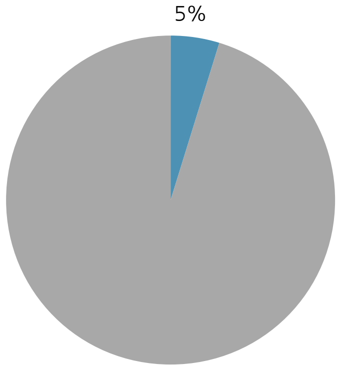
Note: All performance stated in USD.
Source: FactSet, UBS analysis

Figure 56: CCE—UBSe vs. Consensus



Source: FactSet, UBS estimates

Figure 57: CCE— Volumes as a Share of the System



Source: Company data, UBS

Figure 58: Ownership structure

	CCE
Public	92.3%
The Coca-Cola Company	-
Strategic investors	7.7%
	100%

Source: Company data, Thomson Reuters

Coca-Cola Icecek (Neutral)

- Double-digit volume growth in markets ex-Turkey expected to continue
- Turkey projected to grow only +low-single-digit in current fiscal year
- Subject to possible incidence rate hike by KO

Coca Cola Icecek (CCI) is the sixth largest bottler in the GCCS, constituting roughly 4% of system volume. Its core markets include Turkey, Pakistan, Kazakhstan, Azerbaijan, Kyrgyzstan, Turkmenistan, Jordan, Iraq, and Syria. We consider some of Icecek's largest markets to be "healthy", as defined by the standards shown above.

The company has ~67% weighted-average market share in its geographies and an attractive portfolio of international regions that offer strong growth prospects. International (ie, non-Turkey) volumes account for ~46% of total volumes and have been the primary driver of the double-digit volume growth Icecek has enjoyed for several years (Icecek's historical five-year CAGR is ~+14%).

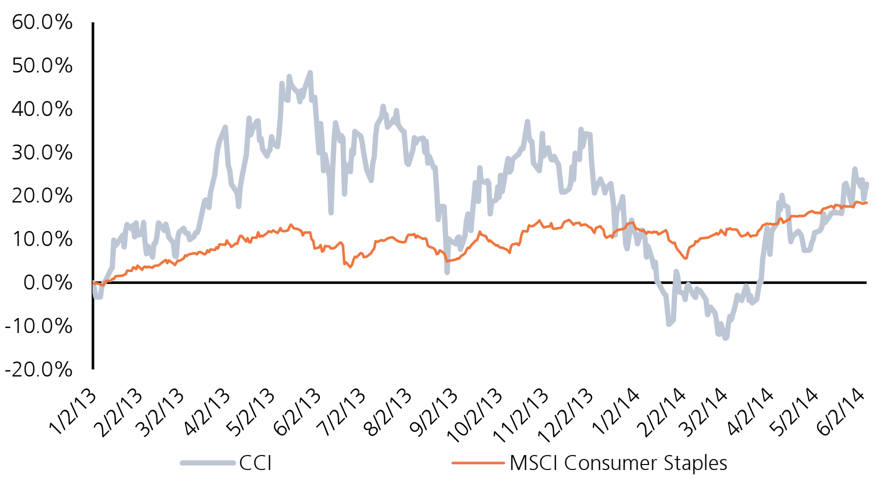
We expect international volumes to continue to grow well over the next five years, at a CAGR of ~+16%, due to compelling demographics and low per-capita consumption levels that imply a long runway for growth. We believe Pakistan in particular will be a key growth market.

Strong growth in international markets has also benefited Icecek on the margin—international operating margins grew +110 bps year-over-year in the most recent fiscal year.

Conversely, the domestic business has been softer—volumes in the most recent fiscal year were up only +1% due to adverse weather, the Turkish political climate, and a challenging macro environment. We expect +2% volume growth in the current fiscal year.

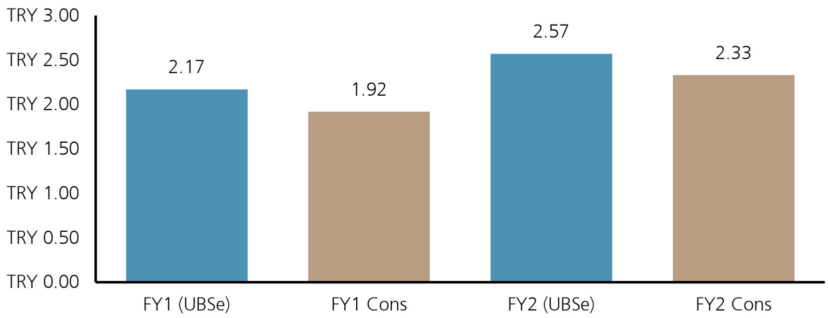
Like other bottlers, Icecek is subject to KO concentrate pricing, which accounts for a significant portion of COGS. While KO has not yet raised prices on Icecek as it has on other bottlers[12], the risk does remain, although we believe that in the long term, Icecek could pass through price increases to customers.

Figure 59: Icecek—TTM Performance vs. MSCI Consumer Staples



Note: All performance stated in USD.
Source: FactSet, UBS analysis

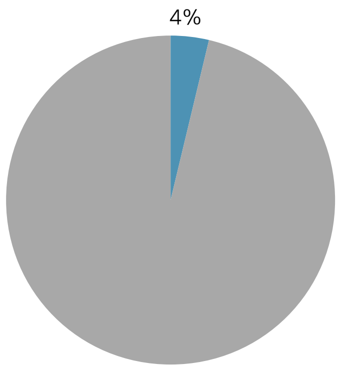
Figure 60: Icecek—UBSe vs. Consensus



Source: FactSet, UBS estimates

[12] See our discussion of Coca-Cola Hellenic below

Figure 61: Icecek— Volumes as a Share of the System



Source: Company data, UBS

Figure 62: Ownership structure

Coca-Cola Icecek	
Public	25.6%
The Coca-Cola Company	**20.1%**
Sanayi A.Ş.	50.3%
Özgörkey Holding	4.0%
	100%

Source: Company data, Thomson Reuters

Coca-Cola Hellenic (Neutral)

- Expect slow top-line recovery in 2014
- Margins expected to be up only +10 bps, due to incidence rate hike

Coca-Cola Hellenic (CCH) is one of the largest bottlers of non-alcoholic beverages in Europe outside of the CCE territories. CCH operates in developed markets (~37% of sales), including Italy, Greece and Ireland, and in emerging markets such as Eastern Europe, Russia and Nigeria, which comprise ~63% of sales. This stock has been listed on the FTSE100 since September 2013 with KO and the Kar-Tess Holding (Leventis family) owning 23% each.

Recently suffered an incidence rate hike by KO—a prime example of the profit-pull struggle with the GCCS

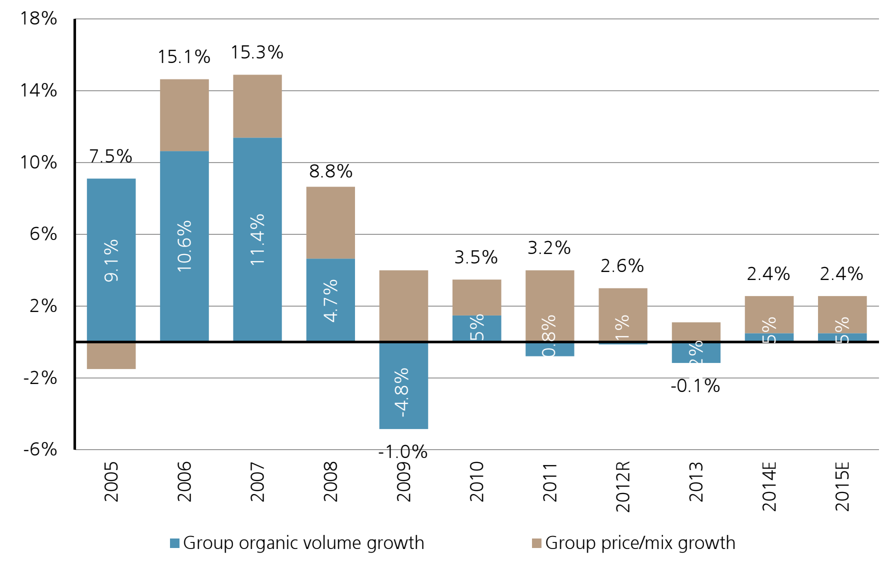
Organic Sales Growth to Recover Progressively in FY14E

CCH had very strong top-line growth until 2008, when the economy started to slow down significantly, and collapsed in Greece. Negative product/country mix, lack of operating leverage and input cost inflation reduced CCH's EBIT margins from 10.9% in 2007 to 6.6% in 2013. From a low base, we expect CCH's top line to recover slowly driven by its emerging market exposure, but still partly offset by soft volume declines in Italy and Greece.

Aside from Nigeria (6% of EBIT), CCH operates in only Western and Eastern Europe, implying limited population growth. However, in Eastern Europe and

Nigeria, soft drinks such as Coca-Cola are discretionary products and consumption is sensitive to GDP growth. We expect their penetration to increase as GDP grows.

Figure 63: CCH organic net sales growth



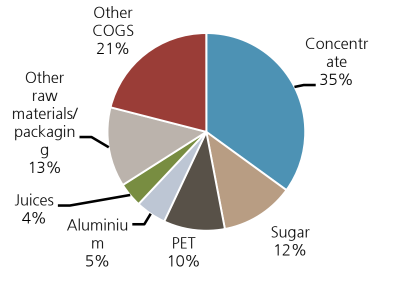
Source: UBS research, Company data

EBIT Margins Stabilize Despite Incidence Rate Hike for Concentrate

Figure 65 shows CCH's EBIT margin, which peaked in 2007, at 10.9%, before falling in 2008, part due to a 5% COGS per-unit increase. After years of decline, CCH managed to stabilise its EBIT margin in 2013 to 6.6% (from 6.4% in 2012). We expect a moderate increase of 10bps in 2014, since the incidence rate hike for concentrate will have a significant impact on EBIT (c.€35m). To this end, Hellenic is a prime example of the profit-pull struggle within the GCCS.

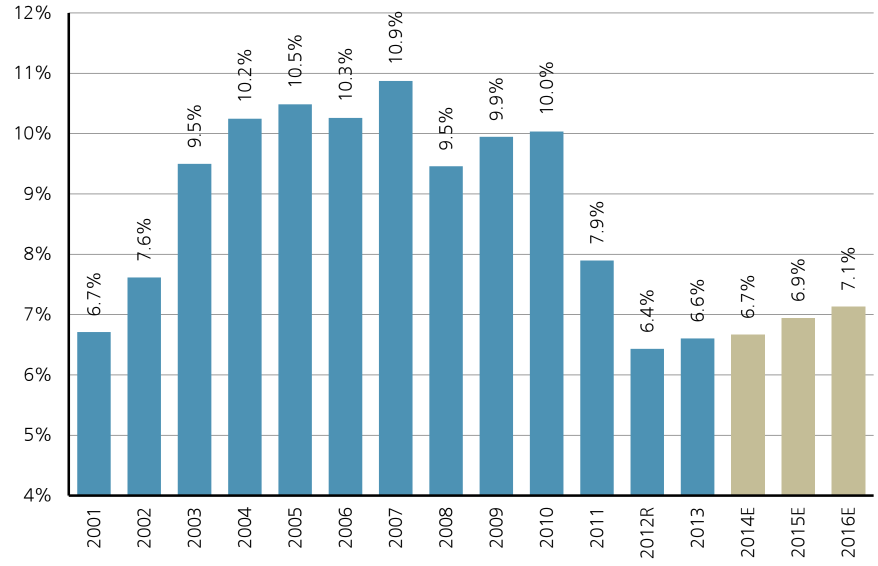
Excluding concentrate, CCH expects input cost inflation to be slightly lower year over year, mainly due to EU sugar and PET resin costs coming down.

Figure 64: CCH's COGS split



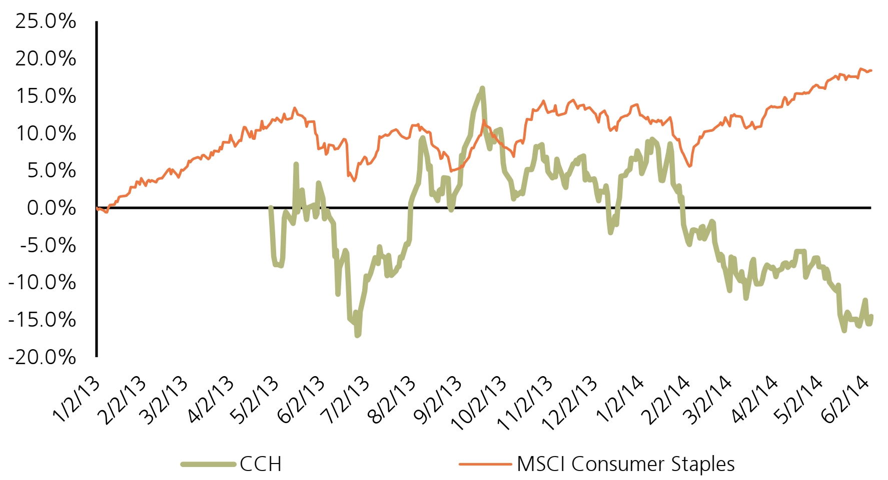
Source: UBS estimates

Figure 65: CCH's EBIT margin



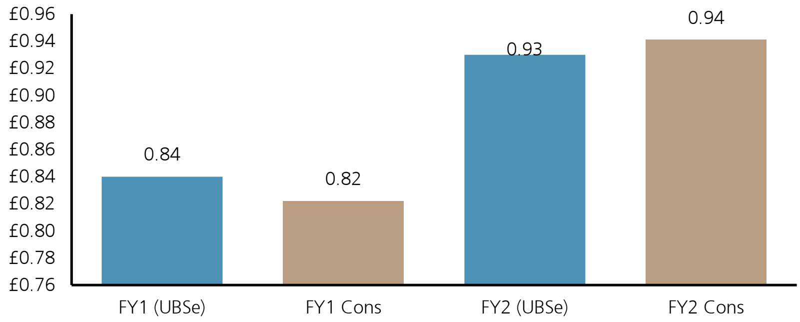
Source: UBS research, Company data

Figure 66: Hellenic—TTM Performance VS. MSCI Consumer Staples



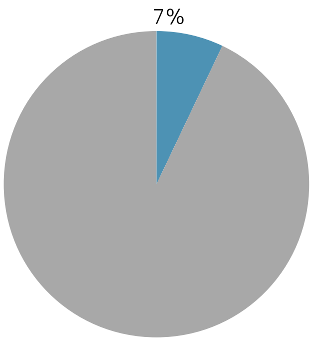
Note: All performance stated in USD.
Source: FactSet, UBS analysis

Figure 67: Hellenic—UBSe vs. Consensus



Source: FactSet, UBS estimates

Figure 68: Hellenic—Volumes as a Share of the System



Source: Company data, UBS

Figure 69: Ownership structure

Coca-Cola Hellenic	
Public	53.7%
The Coca-Cola Company	**23.1%**
The Kar-Tess Group	23.2%
	100%

Source: Company data, Thomson Reuters

SABMiller (Neutral)

- Soft drinks 19% of volumes, 8% of EBIT (margin dilutive to beer)
- Growth to be led by Europe (CCI), followed by LatAm and Africa
- South African margins pressured but management expects stabilization in the long-run

Although it is better known for its beer business (~90% of SAB profits), soft drinks comprise ~19% of SABMiller volumes. The company has an attractive emerging market footprint (76% of group EBITA skewed heavily towards Colombia and South Africa) and a sizable weighted-average market share of ~45%. The latter gives SABMiller very strong pricing power. SAB also has solid bottom-line prospects, as it expects to generate $500m in cost savings by fiscal 2018.

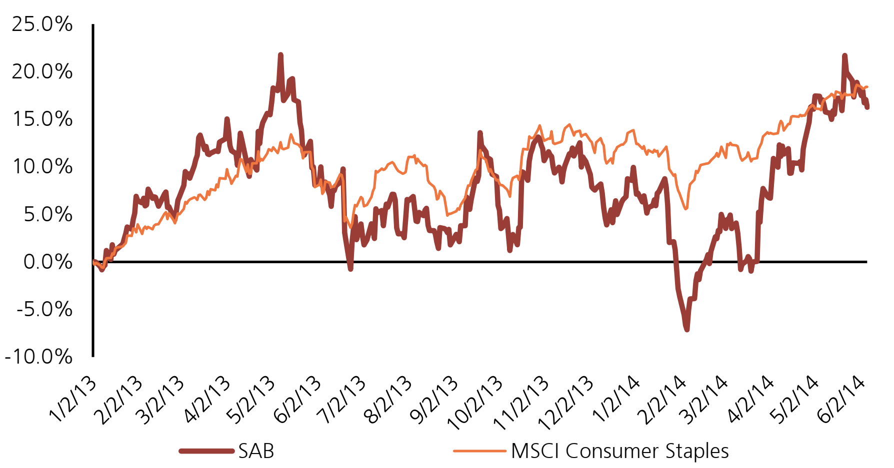
SAB's bottling relationship with KO extends across 32 markets, primarily in Africa (with Castel in 14 of these markets), Central America (El Salvador and Honduras), and Central Asia (indirect stake in Coca Cola Icecek through SAB's 24% holding in Anadolu Efes). Separately, SAB is a Pepsi bottler in Panama.

Breaking down the SABMiller soft drinks portfolio into its geographical mix contributors, Africa contributed the most volumes (55%), followed by LatAm (32%), and Europe (13%). Within these main geographical areas, historical volume growth has been the strongest in LatAm (+4.9%), followed by Africa (+4.6%), which was dragged down by growth in South Africa, which was only 2.5%—implying that the rest of Africa grew by 7.5%. In future, we expect Europe (through SABMiller's holding in Anadolu Efes, which is a shareholder in CCI) to grow volumes at the highest rate, followed by LatAm and Africa, which we expect to grow by c4%.

South Africa is SABMiller's single biggest soft drinks market, representing c32% of volumes. The soft drinks business has seen less pricing with high competition from B-brands, as well as higher raw material pressure, which have put pressure on margins. KO brand market share has remained stable. SABMiller's CEO hopes that soft drink margins in South Africa will stabilise/improve in the next two to three years.

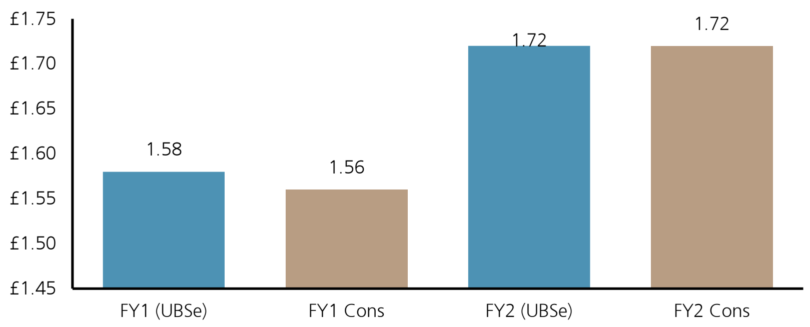
While we estimate that soft drinks represent just below 20% of group volumes, their contribution to group EBITA is c8%. This implies that the soft drink EBITA margin is 14.5% (UBSe), well below that of beer at c25% (UBSe).

Figure 70: SABMiller—TTM Performance vs. Consumer Staples



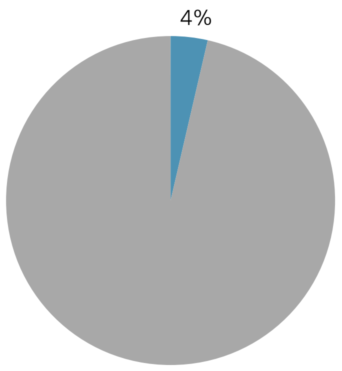
Note: All performance stated in USD.
Source: FactSet, UBS analysis

Figure 71: SABMiller—UBSe vs. Consensus



Source: FactSet, UBS estimates

Figure 72: SABMiller—Volumes as a Share Of the System



Source: Company data, UBS

Figure 73: Ownership structure

	SABMiller
Public	58.3%
The Coca-Cola Company	-
Strategic entities	
Altria Group	26.8%
BevCo, L.L.C.	14.0%
Others	**0.9%**
	100%

Source: Company data, Thomson Reuters

Coca-Cola Amatil (Neutral)

- Facing increasingly competitive conditions from Schweppes/Pepsi
- Margins pressured by negative mix, cost pressure, and FX headwinds

- Overindexed to structurally-declining CSDs

Coca-Cola Amatil is the Australasian anchor bottler in the GCCS. Amatil's portfolio of territories includes Australia, New Zealand, Fiji, Papua New Guinea, and Indonesia (South Korea was divested in 2007), with Australia contributing approximately 72% of group earnings

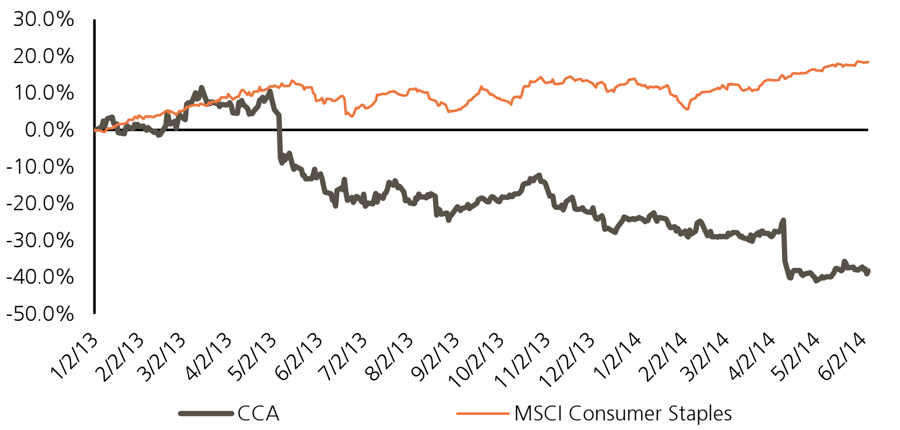
Amatil is our least preferred name in the system given margin-dilutive factors such as competitive conditions, negative mix, cost pressures, and currency headwinds

While some of the territories covered by Amatil are the most profitable in our analysis (eg, Australia), we expect earnings to contract in the foreseeable future due to competitive conditions, negative mix, cost pressures, and currency headwinds out of Indonesia.

We also believe Amatil is in a disadvantaged position, as its product portfolio over-indexes to structurally-declining CSDs and its earnings growth historically has over-indexed towards price-taking—a practice that will be difficult to maintain, given competition from lower-priced rivals.

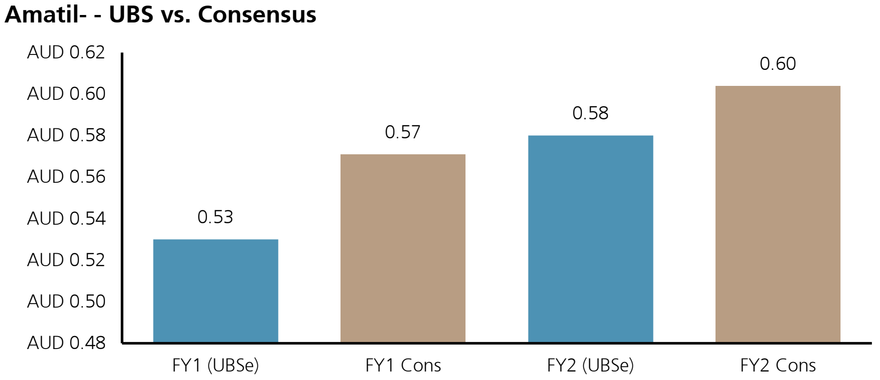
Currently, in some of Amatil's larger territories, such as Australia, the bottler holds the majority of the profit pool (~60%). However, in challenged conditions such as those that Amatil is currently facing, the relationship between KO and its bottlers becomes more pressured, often leading to a shift of profits away from the bottler and towards KO, as discussed above.

Figure 74: Amatil—TTM Performance vs. MSCI Consumer Staples



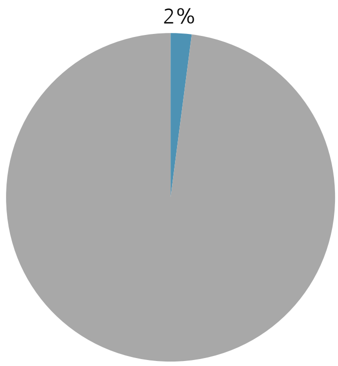
Note: All performance stated in USD.
Source: FactSet, UBS analysis

Figure 75: Amatil—UBSe vs. Consensus



Source: FactSet, UBS estimates

Figure 76: Amatil—Volumes as a Share of the System



Source: Company data, UBS

Figure 77: Ownership structure

Coca-Cola Amatil	
Public	70.6%
The Coca-Cola Company	**29.2%**
Strategic investors	0.2%
	100%

Source: Company data, Thomson Reuters

GCCS Financials

Figure 78: GCCS Volumes

Unit Cases (Millions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Eurasia	2,793.6	2,851.2	2,966.4	3,081.6	3,268.8	3,412.8	3,435.5	3,549.6	3,673.9	4,238.1	4,230.0	4,389.0	4,730.2	5,097.3
ME/N. Africa	217.3	221.8	230.7	239.7	254.2	265.4	273.3	489.6	854.4	1,346.2	1,480.5	1,539.7	1,678.3	1,829.3
CEW Africa	527.7	538.6	560.3	582.1	617.4	644.6	663.7	693.6	811.7	897.5	634.5	666.2	732.8	806.1
Turkey	372.5	380.2	395.5	410.9	435.8	455.0	468.5	489.6	555.4	598.3	549.9	560.9	588.9	618.4
S. Africa	434.6	443.5	461.4	479.4	508.5	530.9	546.6	530.4	512.6	548.5	549.9	560.9	583.3	606.7
Russia	341.4	348.5	362.6	376.6	399.5	417.1	351.4	408.0	427.2	448.7	465.3	479.3	498.4	518.4
Other-Eurasia	900.2	918.7	955.8	993.0	1,053.3	1,099.7	1,132.2	938.4	512.6	398.9	549.9	582.0	648.3	718.4
Europe	3,104.0	3,168.0	3,296.0	3,424.0	3,632.0	3,792.0	3,904.0	4,080.0	4,005.0	3,878.0	3,948.0	3,913.2	3,952.3	3,991.8
Germany	496.6	506.9	527.4	547.8	581.1	606.7	585.6	612.0	640.8	659.3	671.2	684.6	698.3	712.2
GB	372.5	380.2	395.5	410.9	435.8	455.0	507.5	530.4	520.7	504.1	552.7	530.6	541.2	546.6
Spain	434.6	443.5	461.4	479.4	508.5	530.9	546.6	571.2	560.7	542.9	513.2	497.8	497.8	500.3
France	248.3	253.4	263.7	273.9	290.6	303.4	351.4	367.2	400.5	349.0	394.8	406.6	410.7	414.8
Italy	279.4	285.1	296.6	308.2	326.9	341.3	351.4	367.2	360.5	310.2	276.4	268.1	268.1	269.4
Other-Europe	1,272.6	1,298.9	1,351.4	1,403.8	1,489.1	1,554.7	1,561.6	1,632.0	1,521.9	1,512.4	1,539.7	1,525.4	1,536.2	1,548.4
Latin America	5,432.0	5,544.0	5,768.0	5,992.0	6,356.0	6,636.0	6,832.0	7,140.0	7,743.0	8,033.0	8,178.0	8,311.7	8,810.4	9,339.0
Mexico	2,390.1	2,439.4	2,537.9	2,636.5	2,796.6	2,919.8	3,006.1	3,070.2	3,406.9	3,534.5	3,516.5	3,481.4	3,620.6	3,765.5
Brazil	1,358.0	1,386.0	1,442.0	1,498.0	1,589.0	1,659.0	1,639.7	1,856.4	1,935.8	2,008.3	1,962.7	2,021.6	2,163.1	2,314.5
South Latin	977.8	997.9	1,038.2	1,078.6	1,144.1	1,194.5	1,229.8	1,213.8	1,393.7	1,445.9	1,553.8	1,616.0	1,737.2	1,867.5
Central Latin	706.2	720.7	749.8	779.0	826.3	862.7	956.5	999.6	1,006.6	1,044.3	1,144.9	1,192.7	1,289.5	1,391.5
N. America	4,268.0	4,356.0	4,532.0	4,708.0	4,994.0	5,214.0	5,368.0	5,610.0	5,874.0	5,817.0	5,922.0	5,922.0	5,922.0	5,922.0
US	4,011.9	4,094.6	4,260.1	4,425.5	4,694.4	4,901.2	5,045.9	5,273.4	5,521.6	5,468.0	5,566.7	5,566.7	5,566.7	5,566.7
Canada	256.1	261.4	271.9	282.5	299.6	312.8	322.1	336.6	352.4	349.0	355.3	355.3	355.3	355.3
Pacific	3,802.4	3,880.8	4,037.6	4,194.4	4,449.2	4,645.2	4,860.5	5,120.4	5,404.1	5,733.9	5,922.0	6,315.1	6,694.0	7,095.7
China	1,327.0	1,354.3	1,409.0	1,463.8	1,552.7	1,621.1	1,800.7	1,881.9	2,114.6	2,193.8	2,250.4	2,452.9	2,649.1	2,861.1
Japan	803.2	819.7	852.8	886.0	939.8	981.2	922.3	963.9	961.2	947.3	947.5	957.0	971.4	985.9
India	310.4	316.8	329.6	342.4	363.2	379.2	468.5	530.4	598.1	747.9	710.6	781.7	852.1	920.2
Philippines	419.0	427.7	445.0	462.2	490.3	511.9	483.1	550.8	528.7	548.5	533.0	549.0	570.9	593.8
Thailand	174.6	178.2	185.4	192.6	204.3	213.3	219.6	275.4	288.4	299.2	355.3	373.1	391.7	411.3
Australia	244.4	249.5	259.6	269.6	286.0	298.6	307.4	275.4	288.4	299.2	296.1	299.1	303.5	308.1
Other-Pacific	523.8	534.6	556.2	577.8	612.9	639.9	658.8	642.6	624.8	698.0	829.1	902.4	955.3	1,015.3
GCCS	19,400	19,800	20,600	21,400	22,700	23,700	24,400	25,500	26,700	27,700	28,200	28,851	30,109	31,446

Source: Company data, UBS estimates and analysis

Figure 79: GCCS Revenue

USD $ (Millions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Eurasia	4,776	4,634	5,037	6,404	7,626	9,348	8,251	9,165	9,716	10,275	10,538	11,033	12,025	13,108
ME/N. Africa	380	362	387	495	585	735	674	1,343	2,505	3,483	3,954	4,271	4,655	5,074
CEW Africa	923	880	941	1,202	1,421	1,785	1,637	1,903	2,380	2,322	1,694	1,830	1,995	2,174
Turkey	598	635	773	959	1,223	1,422	1,201	1,406	1,459	1,656	1,526	1,465	1,627	1,789
S. Africa	472	446	499	599	720	958	1,055	1,276	1,300	1,249	1,114	1,080	1,156	1,248
Russia	228	231	256	286	318	343	283	343	364	406	424	416	445	480
Other-Eurasia	2,173	2,078	2,179	2,861	3,356	4,104	3,399	2,891	1,705	1,155	1,823	1,969	2,146	2,340
Europe	12,396	14,446	15,322	16,490	19,121	20,697	19,884	20,319	21,824	20,386	21,189	21,931	22,429	22,974
Germany	1,700	2,012	2,121	2,280	2,666	2,863	2,579	2,670	3,116	3,224	3,343	3,510	3,598	3,670
GB	1,556	1,843	1,943	2,088	2,441	2,622	2,730	2,826	3,091	3,010	3,362	3,496	3,619	3,745
Spain	1,892	2,184	2,320	2,484	2,835	3,047	2,966	3,034	3,252	3,007	2,890	2,919	2,949	3,008
France	1,038	1,228	1,295	1,392	1,627	1,748	1,890	1,956	2,378	2,084	2,401	2,557	2,647	2,739
Italy	1,264	1,426	1,525	1,627	1,813	1,951	1,924	1,945	2,041	1,584	1,432	1,432	1,432	1,439
Other-Europe	4,944	5,750	6,116	6,618	7,737	8,464	7,793	7,885	7,944	7,475	7,759	8,015	8,183	8,371
Latin America	11,840	11,956	14,188	16,824	19,152	21,966	19,799	23,897	27,911	27,973	28,836	27,311	28,453	30,479
Mexico	6,765	6,579	7,586	8,630	9,519	9,879	8,900	10,373	9,983	9,936	10,644	10,325	10,841	11,491
Brazil	1,544	1,676	2,316	3,251	3,751	4,970	4,270	5,944	8,569	8,484	7,658	7,275	7,566	8,247
South Latin	2,374	2,356	2,638	3,008	3,598	4,044	3,893	4,018	5,277	5,330	5,924	5,332	5,492	5,821
Central Latin	1,155	1,343	1,646	1,933	2,283	3,072	2,734	3,560	4,081	4,222	4,608	4,378	4,553	4,917
N. America	18,099	18,385	19,529	20,038	21,667	22,317	21,946	21,844	22,579	23,740	23,697	24,171	24,654	25,147
US	17,013	17,282	18,357	18,836	20,367	20,978	20,629	20,533	21,225	22,315	22,275	22,720	23,175	23,638
Canada	1,086	1,103	1,171	1,202	1,300	1,339	1,316	1,310	1,354	1,424	1,421	1,450	1,479	1,508
Pacific	15,924	17,561	19,047	20,982	22,421	27,104	27,025	29,986	34,278	34,385	31,583	31,229	32,755	34,329
China	1,481	1,753	2,145	2,691	3,438	5,273	4,953	5,251	6,538	6,334	6,606	7,068	7,704	8,398
Japan	9,259	10,146	10,278	10,885	12,001	14,060	14,496	16,108	17,898	17,491	14,028	13,326	13,593	13,865
India	752	768	799	830	880	919	1,136	1,286	1,486	1,628	1,749	1,837	2,021	2,203
Philippines	638	672	721	772	844	908	884	1,039	1,028	1,100	1,069	1,047	1,100	1,155
Thailand	637	602	595	587	591	586	562	652	680	581	678	671	705	740
Australia	1,223	1,501	1,887	2,073	2,511	2,625	2,639	3,132	3,676	3,894	3,553	3,340	3,457	3,543
Other-Pacific	1,931	2,118	2,620	3,142	2,152	2,730	2,352	2,515	2,969	3,355	3,899	3,938	4,174	4,424
GCCS	63,037	66,985	73,125	80,741	89,990	101,435	96,907	105,212	116,311	116,761	115,845	115,678	120,319	126,040

Source: Company data, UBS estimates and analysis

Figure 80: GCCS System Margins

EBIT Margin (%)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Eurasia	18.2%	19.0%	20.1%	17.0%	20.1%	16.7%	17.2%	18.1%	17.2%	19.8%	19.0%	19.3%	19.6%	19.8%
ME/N. Africa	18.3%	19.4%	20.7%	16.6%	19.7%	15.5%	16.5%	17.4%	16.4%	20.1%	19.0%	19.2%	19.5%	19.8%
CEW Africa	18.3%	19.4%	20.7%	16.6%	19.7%	15.5%	16.5%	17.4%	16.4%	20.1%	19.0%	19.2%	19.5%	19.8%
Turkey	15.0%	15.0%	17.4%	16.5%	21.4%	20.0%	18.0%	19.8%	19.3%	19.8%	20.1%	20.8%	21.0%	21.1%
S. Africa	21.4%	21.4%	21.1%	21.1%	21.1%	20.6%	19.8%	19.5%	19.4%	19.1%	18.6%	18.8%	19.1%	19.3%
Russia	17.8%	19.9%	18.5%	17.0%	19.7%	16.8%	19.2%	19.2%	16.1%	17.4%	17.0%	16.9%	17.2%	17.4%
Other-Eurasia	18.3%	19.4%	20.7%	16.6%	19.7%	15.5%	16.5%	17.4%	16.4%	20.1%	19.0%	19.2%	19.5%	19.8%
Europe	22.5%	22.6%	22.8%	22.5%	23.4%	21.7%	23.6%	23.6%	22.4%	21.2%	21.0%	21.8%	22.0%	22.2%
Germany	13.9%	14.2%	14.7%	15.4%	15.9%	16.9%	17.3%	17.9%	18.3%	19.5%	18.3%	19.0%	19.2%	19.3%
GB	25.0%	25.2%	25.4%	25.4%	25.4%	26.2%	25.8%	26.2%	26.1%	26.1%	25.5%	26.2%	26.4%	26.5%
Spain	24.8%	24.8%	25.0%	24.0%	24.8%	21.7%	24.9%	24.6%	23.2%	21.5%	20.8%	21.6%	21.8%	21.9%
France	25.0%	25.2%	25.4%	25.4%	25.4%	26.2%	25.8%	26.2%	26.1%	26.1%	25.5%	26.3%	26.6%	26.8%
Italy	24.6%	24.4%	24.5%	22.5%	24.2%	17.2%	24.0%	23.1%	20.4%	20.5%	19.9%	20.6%	21.1%	21.2%
Other-Europe	22.6%	22.9%	23.0%	22.9%	24.2%	22.1%	23.7%	23.6%	21.6%	18.6%	19.3%	20.0%	20.2%	20.3%
Latin America	24.9%	24.6%	24.3%	24.2%	25.9%	24.9%	24.8%	25.5%	24.6%	24.3%	22.9%	23.4%	23.7%	24.1%
Mexico	25.9%	25.4%	25.0%	24.4%	26.1%	25.5%	24.8%	25.6%	25.3%	25.4%	25.1%	25.5%	25.7%	26.1%
Brazil	23.3%	23.1%	22.7%	23.3%	25.4%	24.4%	24.6%	25.4%	24.1%	24.0%	22.0%	22.4%	22.6%	23.0%
South Latin	23.7%	23.7%	24.1%	24.6%	25.7%	24.4%	24.9%	25.4%	24.1%	23.4%	21.4%	21.9%	22.2%	22.7%
Central Latin	23.7%	23.7%	24.1%	24.6%	25.7%	24.4%	24.9%	25.4%	24.1%	23.4%	21.4%	21.9%	22.2%	22.7%
N. America	14.9%	15.1%	14.3%	14.6%	14.0%	10.4%	12.7%	13.0%	11.3%	10.8%	10.4%	10.6%	10.8%	11.0%
US	14.8%	15.0%	14.2%	14.5%	13.9%	10.3%	12.6%	12.9%	11.3%	10.7%	10.4%	10.6%	10.8%	11.0%
Canada	15.9%	16.1%	15.3%	15.6%	15.0%	11.2%	13.8%	14.1%	12.2%	11.7%	11.3%	11.6%	11.8%	12.0%
Pacific	12.5%	12.1%	11.5%	10.7%	10.7%	10.0%	9.6%	11.1%	10.6%	11.0%	12.1%	11.9%	12.0%	12.2%
China	6.2%	6.3%	6.4%	6.7%	6.4%	6.7%	7.4%	7.1%	6.7%	7.0%	8.8%	9.0%	9.1%	9.3%
Japan	14.6%	13.5%	12.8%	10.8%	10.4%	9.3%	7.8%	9.8%	10.4%	10.3%	11.1%	11.2%	11.4%	11.5%
India	5.6%	5.7%	5.8%	6.0%	6.1%	6.6%	6.7%	7.4%	7.2%	8.3%	8.5%	8.6%	8.8%	8.9%
Philippines	5.5%	5.6%	5.7%	5.9%	6.0%	6.4%	6.3%	6.9%	6.6%	7.3%	8.2%	8.3%	8.5%	8.6%
Thailand	5.0%	3.8%	2.8%	3.6%	1.3%	1.4%	1.6%	1.5%	-0.6%	2.0%	1.3%	1.7%	2.7%	3.8%
Australia	19.8%	20.9%	19.4%	21.4%	22.4%	23.4%	25.0%	26.2%	23.4%	23.8%	24.7%	22.7%	22.7%	22.6%
Other-Pacific	10.5%	10.9%	10.4%	10.6%	12.6%	11.5%	13.4%	15.4%	10.3%	11.2%	14.0%	14.1%	14.6%	15.1%
GCCS	**17.9%**	**17.9%**	**17.7%**	**17.4%**	**18.2%**	**16.3%**	**16.9%**	**17.8%**	**16.9%**	**16.7%**	**16.7%**	**16.9%**	**17.1%**	**17.4%**

Source: Company data, UBS estimates and analysis

Figure 81: GCCS Bottler Margins

EBIT Margin (%)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E
Eurasia	9.4%	10.1%	11.6%	8.5%	11.6%	8.7%	8.3%	9.1%	7.8%	10.3%	9.7%	9.9%	10.0%	10.1%
ME/N. Africa	9.5%	10.5%	12.2%	8.1%	11.2%	7.4%	7.6%	8.3%	7.0%	10.6%	9.7%	9.8%	9.9%	10.0%
CEW Africa	9.5%	10.5%	12.2%	8.1%	11.2%	7.4%	7.6%	8.3%	7.0%	10.6%	9.7%	9.8%	9.9%	10.0%
Turkey	6.1%	6.1%	8.9%	8.0%	12.9%	12.0%	9.2%	10.8%	9.9%	10.3%	10.8%	11.4%	11.4%	11.4%
S. Africa	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	10.9%	10.5%	10.0%	9.6%	9.3%	9.4%	9.5%	9.6%
Russia	9.0%	11.1%	10.0%	8.5%	11.2%	8.8%	10.3%	10.2%	6.7%	7.9%	7.7%	7.5%	7.6%	7.7%
Other-Eurasia	9.5%	10.5%	12.2%	8.1%	11.2%	7.4%	7.6%	8.3%	7.0%	10.6%	9.7%	9.8%	9.9%	10.0%
Europe	9.0%	9.2%	9.4%	9.1%	10.0%	7.5%	9.8%	9.7%	9.1%	7.7%	8.3%	8.4%	8.6%	8.7%
Germany	0.5%	0.8%	1.3%	2.0%	2.5%	2.7%	3.5%	4.0%	5.0%	6.0%	5.5%	5.6%	5.7%	5.8%
GB	11.6%	11.8%	12.0%	12.0%	12.0%	12.0%	12.0%	12.3%	12.8%	12.6%	12.7%	12.8%	12.9%	13.0%
Spain	11.4%	11.4%	11.5%	10.5%	11.4%	7.5%	11.1%	10.8%	10.0%	8.0%	8.1%	8.2%	8.3%	8.4%
France	11.6%	11.8%	12.0%	12.0%	12.0%	12.0%	12.0%	12.3%	12.8%	12.6%	12.7%	12.9%	13.1%	13.3%
Italy	11.1%	10.9%	11.1%	9.1%	10.8%	2.9%	10.2%	9.2%	7.1%	7.0%	7.1%	7.2%	7.6%	7.7%
Other-Europe	9.1%	9.4%	9.6%	9.4%	10.7%	7.9%	9.9%	9.8%	8.3%	5.1%	6.5%	6.6%	6.7%	6.8%
Latin America	16.7%	15.6%	16.1%	15.7%	16.8%	16.1%	15.5%	16.1%	15.1%	14.7%	13.5%	13.8%	14.0%	14.3%
Mexico	17.7%	16.5%	16.7%	15.8%	17.0%	16.7%	15.5%	16.2%	15.9%	15.8%	15.7%	15.9%	16.1%	16.3%
Brazil	15.1%	14.1%	14.4%	14.8%	16.3%	15.5%	15.3%	16.1%	14.7%	14.4%	12.6%	12.8%	13.0%	13.2%
South Latin	15.6%	14.8%	15.9%	16.0%	16.6%	15.6%	15.7%	16.0%	14.7%	13.8%	12.0%	12.3%	12.6%	12.9%
Central Latin	15.6%	14.8%	15.9%	16.0%	16.6%	15.6%	15.7%	16.0%	14.7%	13.8%	12.0%	12.3%	12.6%	12.9%
N. America	6.3%	6.3%	6.2%	6.2%	6.1%	5.1%	6.9%	6.4%	5.5%	5.5%	5.4%	5.6%	5.8%	6.0%
US	6.2%	6.3%	6.2%	6.1%	6.1%	5.1%	6.8%	6.3%	5.5%	5.4%	5.4%	5.6%	5.8%	6.0%
Canada	7.3%	7.4%	7.3%	7.2%	7.2%	6.0%	8.1%	7.5%	6.5%	6.4%	6.3%	6.6%	6.8%	7.0%
Pacific	4.3%	4.4%	4.1%	4.1%	4.5%	3.9%	3.5%	4.7%	4.6%	4.4%	4.6%	4.4%	4.5%	4.6%
China	1.1%	1.2%	1.3%	1.6%	1.3%	1.2%	2.2%	1.5%	1.6%	1.3%	2.4%	2.5%	2.6%	2.7%
Japan	4.2%	4.0%	3.6%	3.0%	3.4%	2.4%	1.0%	2.9%	3.3%	2.7%	2.7%	2.8%	2.9%	3.0%
India	0.5%	0.6%	0.7%	0.9%	1.0%	1.2%	1.5%	1.8%	2.1%	2.6%	2.1%	2.2%	2.3%	2.4%
Philippines	0.4%	0.5%	0.6%	0.8%	0.9%	1.0%	1.1%	1.3%	1.5%	1.6%	1.8%	1.9%	2.0%	2.1%
Thailand	-0.1%	-1.3%	-2.4%	-1.5%	-3.8%	-4.0%	-3.6%	-4.1%	-5.7%	-3.7%	-5.1%	-4.8%	-3.8%	-2.8%
Australia	13.4%	14.5%	13.0%	15.0%	16.0%	16.6%	18.5%	19.2%	16.6%	16.6%	16.7%	14.7%	14.6%	14.5%
Other-Pacific	5.4%	5.8%	5.3%	5.5%	7.4%	8.0%	8.5%	10.0%	8.4%	7.8%	7.9%	8.0%	8.0%	8.1%
GCCS	**8.5%**	**8.3%**	**8.6%**	**8.4%**	**9.3%**	**8.0%**	**8.4%**	**9.0%**	**8.4%**	**8.2%**	**8.1%**	**8.2%**	**8.3%**	**8.5%**

Source: Company data, UBS estimates and analysis

Investment Thesis

Coca-Cola FEMSA

12-month rating **Buy**

12m price target **P182.00**

Investment case

Coca-Cola FEMSA (KOF) is the largest Coca-Cola bottler in Latin America, operating in nine countries. The company is currently exposed to operating difficulties in South America and to currency risks. However, KOF is offsetting these pressures by exercising its pricing power and adapting the product portfolio. In addition, KOF has been delivering strong volume growth in Mexico and successfully integrating newly acquired franchise territories. The company also acquired a controlling stake in the Philippines Coca-Cola franchise, where it is starting a turnaround process.

Upside scenario

Our upside scenario would be driven by higher than expected operating leverage in Mexico that could lead to an EBITDA margin expansion of 80bps in 2014. We estimate a value of P5.0 per share for the Philippines operation, leading to an upside valuation of P200.0.

Downside scenario

Our downside scenario is driven by: 1) higher elasticity from tax increase in Mexico than assumed in our model (0.75 vs 0.35); 2) higher input costs that could lead EBITDA margin to contract 55bps in 2014; 3) lower growth from the South America division; and 4) no value from the Philippines operation. Under these circumstances, we believe a fair value per share would be would be P140.0

Upcoming catalysts

2Q14 Results – Jul 2014
Integration process in Brazil

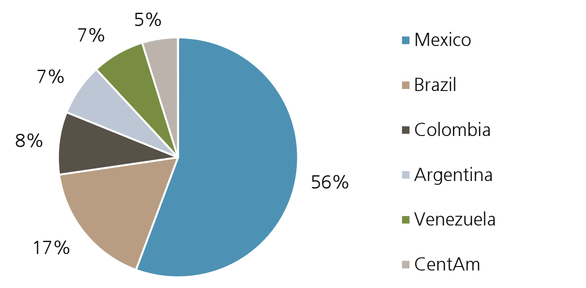
Business description

Coca-Cola FEMSA (KOF) is the largest franchise bottler of Coca-Cola products in the world. The company operates in Mexico (central, southern and northeast), Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil (southeast), Argentina (Buenos Aires) and the Philippines. The company also has bottled and bulk water operations and produces and distributes a range of still beverages.

Industry outlook

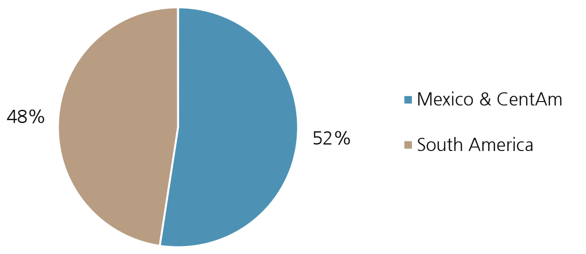
KOF has strong positioning and pricing power in Mexico that allows the company to offset the current soft consumption environment. The company is facing stronger headwinds in South America. Currency devaluations, inflationary pressures and rising labour costs in countries such as Venezuela, Argentina, and, to some extent, Brazil are leading to soft results in the South America division. We expect volume growth to accelerate in South America in 2014 and KOF should be able to mitigate some of the volume contraction on the back of new excise taxes on sugary drinks in Mexico.

Volume by region (%, 2013)



Source: Company Reports and UBS Research

EBIT by Division (%, 2013)



Source: Company Reports and UBS Research

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Coca-Cola FEMSA (KOFL.MX)

Income statement (Pm)	12/10	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	12/16E	12/17E
Revenues	**103,456**	**124,715**	**147,739**	**154,382**	*4.5*	**173,242**	*12.2*	**185,544**	**199,462**	**214,528**
Gross profit	47,922	57,227	68,630	72,575	*5.7*	81,190	*11.9*	86,883	94,333	102,462
EBITDA (UBS)	**19,730**	**22,672**	**27,385**	**29,464**	*7.6*	**33,935**	*15.2*	**36,627**	**41,330**	**46,557**
Depreciation & amortisation	(3,943)	(4,846)	(5,967)	(6,648)	*11.4*	(7,441)	*11.9*	(7,953)	(8,537)	(9,167)
EBIT (UBS)	**15,787**	**17,826**	**21,418**	**22,817**	*6.5*	**26,493**	*16.1*	**28,673**	**32,793**	**37,390**
Associates & investment income	244	(140)	0	(65)	-	79	-	71	63	54
Other non-operating income	(10)	217	285	(243)	-	178	-	143	102	54
Net interest	(1,462)	(1,135)	(1,531)	(2,483)	*-62.2*	(4,113)	*-65.6*	(3,426)	(2,875)	(2,322)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**14,559**	**16,768**	**20,172**	**20,025**	*-0.7*	**22,637**	*13.0*	**25,461**	**30,082**	**35,176**
Tax	(4,260)	(5,599)	(6,274)	(6,408)	*-2.1*	(6,783)	*-5.8*	(7,629)	(9,014)	(10,540)
Profit after tax	**10,299**	**11,169**	**13,898**	**13,616**	*-2.0*	**15,854**	*16.4*	**17,832**	**21,068**	**24,636**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(498)	(554)	(565)	(265)	*53.1*	(279)	*-5.5*	(314)	(371)	(434)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**9,800**	**10,615**	**13,333**	**13,351**	*0.1*	**15,575**	*16.7*	**17,517**	**20,697**	**24,202**
Net earnings (UBS)	**9,800**	**10,615**	**13,333**	**13,351**	*0.1*	**15,575**	*16.7*	**17,517**	**20,697**	**24,202**
Tax rate (%)	29.3	33.4	31.1	32.0	*2.9*	30.0	*-6.4*	30.0	30.0	30.0

Per share (P)	12/10	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	12/16E	12/17E
EPS (UBS, diluted)	5.31	5.64	6.60	6.47	*-2.0*	7.51	*16.1*	8.45	9.98	11.68
EPS (local GAAP, diluted)	5.31	5.64	6.60	6.47	*-2.0*	7.51	*16.1*	8.45	9.98	11.68
EPS (UBS, basic)	5.31	5.64	6.60	6.47	*-2.0*	7.51	*16.1*	8.45	9.98	11.68
Net DPS (P)	1.41	2.36	2.83	2.90	*2.4*	3.00	*3.6*	3.65	4.28	5.25
Cash EPS (UBS, diluted)[1]	7.44	8.22	9.56	9.70	*1.5*	11.10	*14.5*	12.29	14.10	16.10
Book value per share	38.60	49.20	50.06	56.75	*13.4*	61.17	*7.8*	65.90	71.52	77.87
Average shares (diluted)	1,846.53	1,881.26	2,019.27	2,062.33	*2.1*	2,072.92	*0.5*	2,072.92	2,072.92	2,072.92

Balance sheet (Pm)	12/10	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	12/16E	12/17E
Cash and equivalents	12,534	12,661	23,234	28,744	*23.7*	36,585	*27.3*	43,795	53,943	66,460
Other current assets	13,903	19,414	22,662	24,629	*8.7*	28,508	*15.7*	31,439	34,887	38,825
Total current assets	**26,436**	**32,074**	**45,896**	**53,373**	*16.3*	**65,092**	*22.0*	**75,234**	**88,830**	**105,284**
Net tangible fixed assets	32,100	41,502	42,518	46,316	*8.9*	46,811	*1.1*	47,562	48,577	49,848
Net intangible fixed assets	51,213	70,675	67,013	79,360	*18.4*	78,382	*-1.2*	76,980	75,117	72,784
Investments / other assets	4,312	7,356	10,676	47,909	*348.7*	48,591	*1.4*	49,250	50,020	50,907
Total assets	**114,061**	**151,608**	**166,103**	**226,958**	*36.6*	**238,877**	*5.3*	**249,026**	**262,545**	**278,823**
Trade payables & other ST liabilities	15,806	19,537	24,411	25,294	*3.6*	28,460	*12.5*	30,503	32,503	34,648
Short term debt	1,840	5,540	5,139	13,895	*170.37*	13,684	*-1.51*	13,216	13,025	13,025
Total current liabilities	**17,646**	**25,077**	**29,550**	**39,189**	*32.6*	**42,144**	*7.5*	**43,720**	**45,528**	**47,673**
Long term debt	15,511	17,034	24,775	58,790	*137.3*	57,900	*-1.5*	55,918	55,109	55,109
Other long term liabilities	7,022	8,719	6,950	7,693	*10.7*	8,109	*5.4*	8,567	9,070	9,624
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**40,179**	**50,829**	**61,275**	**105,671**	*72.5*	**108,153**	*2.3*	**108,205**	**109,708**	**112,407**
Common s/h equity	71,281	97,690	101,649	117,648	*15.7*	126,802	*7.8*	136,597	148,251	161,424
Minority interests	2,602	3,089	3,179	3,639	*14.4*	3,922	*7.8*	4,225	4,585	4,992
Total liabilities & equity	**114,061**	**151,608**	**166,103**	**226,958**	*36.6*	**238,877**	*5.3*	**249,026**	**262,545**	**278,823**

Cash flow (Pm)	12/10	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	12/16E	12/17E
Net income (before pref divs)	9,800	10,615	13,333	13,351	*0.1*	15,575	*16.7*	17,517	20,697	24,202
Depreciation & amortisation	3,943	4,846	5,967	6,648	*11.4*	7,441	*11.9*	7,953	8,537	9,167
Net change in working capital	(1,756)	(2,048)	1,304	(3,127)	-	(1,207)	*61.4*	(1,342)	(2,088)	(2,582)
Other operating	2,362	1,973	3,321	2,461	*-25.9*	718	*-70.8*	840	1,025	1,232
Operating cash flow	**14,349**	**15,386**	**23,925**	**19,333**	*-19.2*	**22,527**	*16.5*	**24,968**	**28,172**	**32,020**
Tangible capital expenditure	(6,385)	(6,967)	(9,446)	(9,293)	*1.6*	(6,948)	*25.2*	(7,290)	(7,676)	(8,092)
Intangible capital expenditure	(1,325)	(956)	(235)	(1,135)	*-383.9*	0	-	0	0	0
Net (acquisitions) / disposals	(305)	(5,224)	(1,115)	(39,672)	*-3459.5*	0	-	0	0	0
Other investing	62	(666)	(192)	282	-	0	-	0	0	0
Investing cash flow	**(7,952)**	**(13,814)**	**(10,988)**	**(49,818)**	*-353.4*	**(6,948)**	*86.1*	**(7,290)**	**(7,676)**	**(8,092)**
Equity dividends paid	(2,611)	(4,366)	(5,734)	(2,997)	*47.7*	(6,225)	*-107.7*	(7,574)	(8,868)	(10,892)
Share issues / (buybacks)	(1,436)	(1,567)	(1,694)	(1,371)	*19.1*	0	-	0	0	0
Other financing	(633)	(491)	(479)	(213)	*55.54*	(374)	*-75.63*	(401)	(431)	(463)
Change in debt & pref shares	1,427	5,223	7,340	42,771	*482.70*	(1,100)	-	(2,450)	(1,000)	0
Financing cash flow	**(3,254)**	**(1,202)**	**(567)**	**38,190**	-	**(7,699)**	-	**(10,424)**	**(10,299)**	**(11,355)**
Cash flow inc/(dec) in cash	**3,143**	**370**	**12,370**	**7,705**	*-37.7*	**7,880**	*2.3*	**7,254**	**10,197**	**12,573**
FX / non cash items	(349)	(243)	(1,797)	(2,195)	*-22.2*	(40)	*98.2*	(43)	(49)	(56)
Balance sheet inc/(dec) in cash	**2,794**	**127**	**10,573**	**5,510**	*-47.9*	**7,840**	*42.3*	**7,211**	**10,148**	**12,517**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Coca-Cola FEMSA (KOFL.MX)

Valuation (x)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
P/E (local GAAP, diluted)	16.9	19.2	23.4	22.4	19.3	17.1	14.5	12.4
P/E (UBS, diluted)	16.9	19.2	23.4	22.4	19.3	17.1	14.5	12.4
P/CEPS	12.1	13.2	16.2	14.9	13.0	11.8	10.3	9.0
Equity FCF (UBS) yield %	4.0	3.7	4.6	3.0	5.2	5.9	6.8	8.0
Net dividend yield (%)	1.6	2.2	1.8	2.0	2.1	2.5	3.0	3.6
P/BV x	2.3	2.2	3.1	2.6	2.4	2.2	2.0	1.9
EV/revenues (core)	1.7	1.7	2.2	1.8	1.8	1.6	1.5	1.4
EV/EBITDA (core)	8.7	9.1	11.6	9.3	9.0	8.1	7.2	6.4
EV/EBIT (core)	10.9	11.6	14.8	12.0	11.5	10.4	9.1	8.0
EV/OpFCF (core)	16.6	16.2	16.8	17.0	11.8	10.6	9.4	8.3
EV/op. invested capital	2.3	2.2	3.0	2.3	2.4	2.3	2.3	2.3

Enterprise value (Pm)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
Market cap.	165,810	199,722	310,730	300,076	300,076	300,076	300,076	300,076
Net debt (cash)	5,747	7,749	9,273	9,273	41,529	32,703	32,703	32,703
Buy out of minorities	2,602	3,089	3,179	3,639	3,922	4,225	4,585	4,992
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**174,159**	**210,560**	**323,182**	**312,988**	**345,527**	**337,004**	**337,364**	**337,772**
Non core assets	(2,108)	(3,656)	(5,352)	(39,654)	(39,654)	(39,654)	(39,654)	(39,654)
Core enterprise value	**172,050**	**206,904**	**317,829**	**273,334**	**305,873**	**297,350**	**297,711**	**298,118**

Growth (%)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
Revenue	0.7	20.5	18.5	4.5	12.2	7.1	7.5	7.6
EBITDA (UBS)	7.8	14.9	20.8	7.6	15.2	7.9	12.8	12.6
EBIT (UBS)	9.7	12.9	20.1	6.5	16.1	8.2	14.4	14.0
EPS (UBS, diluted)	15.0	6.3	17.0	-2.0	16.1	12.5	18.2	16.9
Net DPS	93.7	67.4	20.0	2.4	3.6	21.7	17.1	22.8

Margins & Profitability (%)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
Gross profit margin	46.3	45.9	46.5	47.0	46.9	46.8	47.3	47.8
EBITDA margin	19.1	18.2	18.5	19.1	19.6	19.7	20.7	21.7
EBIT margin	15.3	14.3	14.5	14.8	15.3	15.5	16.4	17.4
Net earnings (UBS) margin	9.5	8.5	9.0	8.6	9.0	9.4	10.4	11.3
ROIC (EBIT)	21.1	19.3	19.9	19.4	20.7	22.3	25.2	28.4
ROIC post tax	14.9	12.9	13.7	13.2	14.5	15.6	17.7	19.9
ROE (UBS)	14.3	12.6	13.4	12.2	12.7	13.3	14.5	15.6

Capital structure & Coverage (x)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
Net debt / EBITDA	0.3	0.5	0.3	1.6	1.1	0.8	0.4	0.1
Net debt / total equity %	6.9	10.3	7.8	37.7	28.5	20.0	11.5	3.5
Net debt / (net debt + total equity) %	6.5	9.4	7.2	27.4	22.2	16.6	10.3	3.4
Net debt/EV	3.0	5.0	2.6	16.7	12.2	9.5	5.9	2.0
Capex / depreciation %	NM	NM	186.0	153.1	107.7	111.5	115.2	118.6
Capex / revenue %	6.2	5.6	6.4	6.0	4.0	3.9	3.8	3.8
EBIT / net interest	10.8	15.7	14.0	9.2	6.4	8.4	11.4	16.1
Dividend cover (UBS)	3.8	2.4	2.3	2.2	2.5	2.3	2.3	2.2
Div. payout ratio (UBS) %	26.6	41.8	42.9	44.8	40.0	43.2	42.8	45.0

Revenues by division (Pm)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
Others	103,456	124,715	147,739	154,382	173,242	185,544	199,462	214,528
Total	**103,456**	**124,715**	**147,739**	**154,382**	**173,242**	**185,544**	**199,462**	**214,528**

EBIT (UBS) by division (Pm)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
Others	15,787	17,826	21,418	22,817	26,493	28,673	32,793	37,390
Total	**15,787**	**17,826**	**21,418**	**22,817**	**26,493**	**28,673**	**32,793**	**37,390**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Investment Thesis

Arca Continental

12-month rating Buy

12m price target P100.00

Investment case

We believe the company is a defensive play with strong cash generation. It has a solid balance sheet, with a net debt to 2013 EBITDA ratio of 0.7x and an estimated equity FCF yield of 3.6% in 2014. We estimate that ARCA should be able to grow the top line at a CAGR of 7.3% in 12-15E and net profit at a CAGR of 15.9% in 12-15E. We maintain a positive view on the company as it has the capability to offset negative impact from tax increases and it continues to achieve operating synergies in Mexico while taking advantage of lower input costs.

Upside scenario

Our upside scenario is driven by higher operating leverage and lower-than-expected input costs in Mexico and South America that could lead to EBITDA margin to expand 100bps in 2014. Additionally, faster growth in South America and Snacks could lead to an upside valuation of P110.0.

Downside scenario

Our downside scenario is driven by: 1) higher elasticity from tax increase in Mexico than assumed in our model (0.75 vs 0.35); 2) higher input costs that could lead EBITDA margin to contract 50bps in 2014; and 3) lower growth from the South America division. In that case, we believe the downside valuation would be P75.0.

Upcoming catalysts

2Q14 Results – Jul 2014

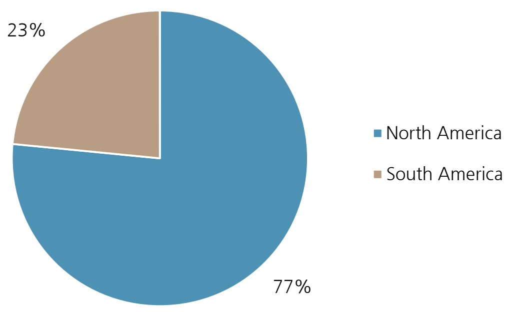
Business description

Arca Continental is the second-largest Coca-Cola bottler in Mexico and Latin America, with franchises in northern and western Mexico, Ecuador (nationwide) and northern Argentina. Hot, dry weather, high per-capita consumption and a high percentage of returnable packaging in personal sizes characterize the Mexican territories. The company was formed in 2011 from the merger of Embotelladoras ARCA and Grupo Continental. Arca Continental also produces and distributes snacks under the brand Bokados.

Industry outlook

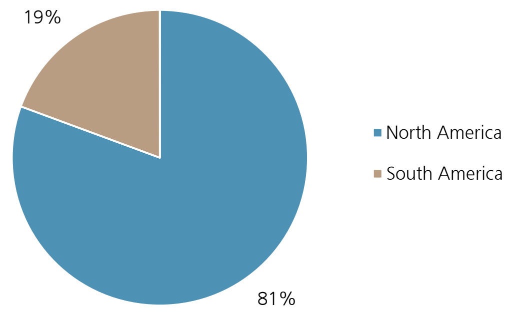
Consumption in Mexico slowed in 2013, driven primarily by weak macro trends. However, Arca has a defensive profile, dominant market share in its territories and a wide product portfolio that should mitigate short-term headwinds. Arca is constantly looking at consolidation opportunities in Mexico and South America. Excise tax risks in Mexico should be closely monitored, but we believe that Arca has the right strategies to mitigate volume impact and gain market share from smaller players.

Revenues by region (2013, %)



Source: Company Reports and UBS Research

EBITDA by region (2013)



Source: Source: Company Reports and UBS Research

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Arca Continental SAB de CV (AC.MX)

Income statement (Pm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	**44,672**	**56,219**	**60,359**	**62,676**	*3.8*	**67,733**	*8.1*	**73,384**	**79,652**	**86,610**
Gross profit	20,166	25,997	29,016	30,740	*5.9*	33,221	*8.1*	35,995	39,071	42,487
EBITDA (UBS)	**7,506**	**10,812**	**12,369**	**13,629**	*10.2*	**14,981**	*9.9*	**16,286**	**17,737**	**19,353**
Depreciation & amortisation	(1,756)	(2,379)	(2,528)	(2,590)	*2.5*	(2,705)	*4.4*	(2,789)	(2,896)	(3,024)
EBIT (UBS)	**5,750**	**8,433**	**9,842**	**11,038**	*12.2*	**12,276**	*11.2*	**13,497**	**14,842**	**16,329**
Associates & investment income	90	126	131	102	*-22.3*	105	*3.5*	109	113	117
Other non-operating income	169	(27)	(43)	1	*-*	2	*55.0*	3	4	5
Net interest	(602)	(864)	(928)	(917)	*1.2*	(798)	*13.0*	(630)	(444)	(227)
Exceptionals (incl goodwill)	0	0	0	0	*-*	0	*-*	0	0	0
Profit before tax	**5,407**	**7,668**	**9,001**	**10,224**	*13.6*	**11,585**	*13.3*	**12,978**	**14,514**	**16,223**
Tax	(1,342)	(2,447)	(2,763)	(3,099)	*-12.1*	(3,475)	*-12.2*	(3,893)	(4,354)	(4,867)
Profit after tax	**4,065**	**5,221**	**6,238**	**7,125**	*14.2*	**8,109**	*13.8*	**9,085**	**10,160**	**11,356**
Preference dividends	0	0	0	0	*-*	0	*-*	0	0	0
Minorities	(150)	(209)	(270)	(455)	*-68.5*	(480)	*-5.4*	(479)	(475)	(470)
Extraordinary items	0	0	0	0	*-*	0	*-*	0	0	0
Net earnings (local GAAP)	**3,915**	**5,012**	**5,968**	**6,670**	*11.8*	**7,630**	*14.4*	**8,606**	**9,685**	**10,887**
Net earnings (UBS)	**3,915**	**5,012**	**5,968**	**6,670**	*11.8*	**7,630**	*14.4*	**8,606**	**9,685**	**10,887**
Tax rate (%)	24.8	31.9	30.7	30.3	*-1.3*	30.0	*-1.0*	30.0	30.0	30.0

Per share (P)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	2.95	3.11	3.70	4.14	*11.8*	4.74	*14.4*	5.34	6.01	6.76
EPS (local GAAP, diluted)	2.95	3.11	3.70	4.14	*11.8*	4.74	*14.4*	5.34	6.01	6.76
EPS (UBS, basic)	2.95	3.11	3.70	4.14	*11.8*	4.74	*14.4*	5.34	6.01	6.76
Net DPS (P)	4.45	1.50	3.00	1.50	*-50.0*	1.50	*0.0*	1.50	1.50	1.50
Cash EPS (UBS, diluted)[1]	4.28	4.59	5.27	5.75	*9.0*	6.41	*11.6*	7.07	7.81	8.63
Book value per share	22.48	23.83	24.04	27.23	*13.3*	30.66	*12.6*	34.66	39.31	44.68
Average shares (diluted)	1,325.83	1,611.26	1,611.26	1,611.26	*0.0*	1,611.26	*0.0*	1,611.26	1,611.26	1,611.26

Balance sheet (Pm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	3,316	2,609	2,532	9,825	*288.1*	14,550	*48.1*	19,977	26,220	33,382
Other current assets	6,280	5,837	5,732	6,117	*6.7*	6,726	*10.0*	7,410	8,176	9,033
Total current assets	**9,596**	**8,445**	**8,264**	**15,942**	*92.9*	**21,276**	*33.5*	**27,387**	**34,397**	**42,415**
Net tangible fixed assets	20,672	22,467	24,137	24,653	*2.1*	25,334	*2.8*	26,214	27,301	28,607
Net intangible fixed assets	27,112	29,057	29,958	29,084	*-2.9*	29,084	*0.0*	29,084	29,084	29,084
Investments / other assets	2,439	3,578	4,256	4,754	*11.7*	4,754	*0.0*	4,754	4,754	4,754
Total assets	**59,819**	**63,546**	**66,615**	**74,432**	*11.7*	**80,448**	*8.1*	**87,439**	**95,535**	**104,860**
Trade payables & other ST liabilities	5,547	7,410	5,928	6,040	*1.9*	6,527	*8.1*	7,071	7,675	8,345
Short term debt	1,337	628	2,376	2,828	*19.02*	2,828	*0.00*	2,828	2,828	2,828
Total current liabilities	**6,883**	**8,037**	**8,304**	**8,868**	*6.8*	**9,355**	*5.5*	**9,900**	**10,503**	**11,173**
Long term debt	10,236	10,705	11,701	13,525	*15.6*	13,525	*0.0*	13,525	13,525	13,525
Other long term liabilities	4,111	3,832	5,478	5,268	*-3.8*	5,268	*0.0*	5,268	5,268	5,268
Preferred shares	0	0	0	0	*-*	0	*-*	0	0	0
Total liabilities (incl pref shares)	**21,231**	**22,575**	**25,483**	**27,661**	*8.5*	**28,149**	*1.8*	**28,693**	**29,296**	**29,966**
Common s/h equity	36,229	38,402	38,730	43,868	*13.3*	49,396	*12.6*	55,843	63,336	71,991
Minority interests	2,359	2,570	2,402	2,903	*20.9*	2,903	*0.0*	2,903	2,903	2,903
Total liabilities & equity	**59,819**	**63,546**	**66,615**	**74,432**	*11.7*	**80,448**	*8.1*	**87,439**	**95,535**	**104,860**

Cash flow (Pm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	3,915	5,012	5,968	6,670	*11.8*	7,630	*14.4*	8,606	9,685	10,887
Depreciation & amortisation	1,756	2,379	2,528	2,590	*2.5*	2,705	*4.4*	2,789	2,896	3,024
Net change in working capital	(1,291)	(414)	(699)	963	*-*	(525)	*-*	(621)	(694)	(778)
Other operating	733	3,127	1,056	1,037	*-1.8*	480	*-53.7*	479	475	470
Operating cash flow	**5,114**	**10,105**	**8,853**	**11,261**	*27.2*	**10,289**	*-8.6*	**11,253**	**12,361**	**13,603**
Tangible capital expenditure	(2,062)	(4,389)	(4,862)	(3,661)	*24.7*	(3,387)	*7.5*	(3,669)	(3,983)	(4,331)
Intangible capital expenditure	(3)	(134)	(33)	0	*-*	0	*-*	0	0	0
Net (acquisitions) / disposals	(457)	(2,448)	0	0	*-*	0	*-*	0	0	0
Other investing	0	(549)	(203)	(34)	*-*	0	*-*	0	0	0
Investing cash flow	**(2,521)**	**(7,520)**	**(5,098)**	**(3,695)**	*27.5*	**(3,387)**	*8.3*	**(3,669)**	**(3,983)**	**(4,331)**
Equity dividends paid	(5,020)	(2,417)	(5,010)	(2,417)	*51.8*	(2,417)	*0.0*	(2,417)	(2,417)	(2,417)
Share issues / (buybacks)	(944)	(658)	(1,298)	(278)	*78.6*	0	*-*	0	0	0
Other financing	(65)	21	0	222	*-*	240	*8.07*	260	282	307
Change in debt & pref shares	3,257	(240)	2,745	2,276	*-17.07*	0	*-*	0	0	0
Financing cash flow	**(2,772)**	**(3,294)**	**(3,563)**	**(197)**	*94.5*	**(2,177)**	*-1007.9*	**(2,157)**	**(2,135)**	**(2,110)**
Cash flow inc/(dec) in cash	**(179)**	**(709)**	**192**	**7,369**	*3744.0*	**4,725**	*-35.9*	**5,426**	**6,244**	**7,162**
FX / non cash items	(150)	2	(269)	(76)	*71.8*	0	*100.0*	0	0	0
Balance sheet inc/(dec) in cash	**(329)**	**(707)**	**(77)**	**7,293**	*-*	**4,725**	*-35.2*	**5,426**	**6,244**	**7,162**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Arca Continental SAB de CV (AC.MX)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	22.3	24.8	24.7	21.5	18.8	16.6	14.8	13.2
P/E (UBS, diluted)	22.3	24.8	24.7	21.5	18.8	16.6	14.8	13.2
P/CEPS	15.4	16.8	17.4	15.5	13.9	12.6	11.4	10.3
Equity FCF (UBS) yield %	3.8	4.5	2.7	5.3	4.8	5.3	5.8	6.5
Net dividend yield (%)	6.7	1.9	3.3	1.7	1.7	1.7	1.7	1.7
P/BV x	2.9	3.2	3.8	3.3	2.9	2.6	2.3	2.0
EV/revenues (core)	1.9	2.4	2.6	2.4	2.2	1.9	1.7	1.6
EV/EBITDA (core)	11.5	12.2	12.7	11.1	9.8	8.7	7.6	7.0
EV/EBIT (core)	15.0	15.7	15.9	13.7	11.9	10.5	9.1	8.3
EV/OpFCF (core)	17.4	15.2	15.8	11.9	11.8	10.5	9.2	8.5
EV/op. invested capital	2.5	2.9	3.3	3.1	2.9	2.8	2.6	2.5

Enterprise value (Pm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	79,573	124,300	147,408	143,257	143,257	143,257	143,257	143,257
Net debt (cash)	6,464	8,490	10,135	9,037	4,166	(910)	(6,745)	(6,745)
Buy out of minorities	2,359	2,570	2,402	2,903	2,903	2,903	2,903	2,903
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**88,396**	**135,360**	**159,945**	**155,197**	**150,326**	**145,250**	**139,415**	**139,415**
Non core assets	(2,420)	(2,977)	(3,188)	(3,872)	(3,872)	(3,872)	(3,872)	(3,872)
Core enterprise value	**85,976**	**132,383**	**156,757**	**151,326**	**146,454**	**141,378**	**135,543**	**135,543**

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	65.2	25.8	7.4	3.8	8.1	8.3	8.5	8.7
EBITDA (UBS)	46.8	44.0	14.4	10.2	9.9	8.7	8.9	9.1
EBIT (UBS)	47.5	46.7	16.7	12.2	11.2	9.9	10.0	10.0
EPS (UBS, diluted)	-9.2	5.3	19.1	11.8	14.4	12.8	12.5	12.4
Net DPS	NM	-66.3	100.0	-50.0	0.0	0.0	0.0	0.0

Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	45.1	46.2	48.1	49.0	49.0	49.0	49.1	49.1
EBITDA margin	16.8	19.2	20.5	21.7	22.1	22.2	22.3	22.3
EBIT margin	12.9	15.0	16.3	17.6	18.1	18.4	18.6	18.9
Net earnings (UBS) margin	8.8	8.9	9.9	10.6	11.3	11.7	12.2	12.6
ROIC (EBIT)	16.9	18.5	20.5	22.3	24.6	26.6	28.6	30.7
ROIC post tax	12.7	12.6	14.1	15.5	17.2	18.6	20.0	21.4
ROE (UBS)	14.6	13.4	15.5	16.2	16.4	16.4	16.3	16.1

Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	1.1	0.8	0.9	0.5	0.1	(0.2)	(0.6)	(0.9)
Net debt / total equity %	21.4	21.3	28.1	14.0	3.4	(6.2)	(14.9)	(22.7)
Net debt / (net debt + total equity) %	17.6	17.6	21.9	12.2	3.3	(6.6)	(17.5)	(29.4)
Net debt/EV	9.6	6.6	7.4	4.3	1.2	(2.6)	(7.3)	(12.6)
Capex / depreciation %	117.4	184.5	192.3	141.3	125.2	131.5	137.5	143.2
Capex / revenue %	4.6	7.8	8.1	5.8	5.0	5.0	5.0	5.0
EBIT / net interest	9.5	9.8	10.6	12.0	15.4	21.4	33.4	71.9
Dividend cover (UBS)	0.7	2.1	1.2	2.8	3.2	3.6	4.0	4.5
Div. payout ratio (UBS) %	150.8	48.2	81.0	36.2	31.7	28.1	25.0	22.2

Revenues by division (Pm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	44,672	56,219	60,359	62,676	67,733	73,384	79,652	86,610
Total	**44,672**	**56,219**	**60,359**	**62,676**	**67,733**	**73,384**	**79,652**	**86,610**

EBIT (UBS) by division (Pm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	5,750	8,433	9,842	11,038	12,276	13,497	14,842	16,329
Total	**5,750**	**8,433**	**9,842**	**11,038**	**12,276**	**13,497**	**14,842**	**16,329**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Investment Thesis

Coca-Cola

12-month rating **Neutral**

12m price target **US$40.00**

Investment case

KO benefits from exceptionally strong brands, a favorable geographic footprint, a powerful "System" of franchised/licensed bottlers/distributors, and below-the-line profit growth (at least for now). Looking forward, we are fairly bullish on long-term international trends, but see macro risks in the near term and would like a more robust non-CSD strategy longer-term. Overall, the company remains highly focused on traditional CSD volume, and thus is fighting what we believe to be secular trends. Domestically, we believe a sizable restructuring is needed to reduce and make more variable KO's cost structure—materially improving System margins and thus better facilitating a return to "partners" in the coming years. Until either overseas trends improve and/or we see profitability inflect in North American we remain Neutral on the stock. Looking ahead, our base case calls for +MSD organic growth through 2020, leveraged into +MSD profit growth and +DD EPS growth, given productivity efforts, share repurchases, and other below-the-line leverage. Our $40 PT is based on a weighted-average multi-scenario DCF framework and implies 17.7x our base case EPS estimate 13-24 months out of $2.28

Upside scenario

Our upside scenario assumes KO can return to +HSD normalized profit growth, either through an acceleration of international CSD volumes, an outsized number of new distribution agreements – particularly in large markets such as India and China, and/or enhanced productivity gains, leading to an upside valuation of $52. We assign 10% weighting to this outcome.

Downside scenario

Our downside scenario assumes KO generates only +MSD normalized profit growth, given prolonged CSD volume weakness, failed productivity efforts, and/or the company's inability to meaningfully refranchise distribution, leading to a downside valuation of only $33. We assign 20% weighting to this outcome.

Upcoming catalysts

Conference appearances, Quarterly earnings

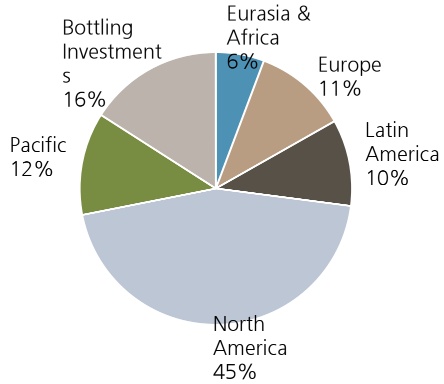
Business description

The Coca-Cola Company (KO) manufactures, markets, and distributes nonalcoholic beverages worldwide. The company primarily produces soft drink concentrates and syrups to be used in carbonated beverages, but selectively produces finished products as well. KO's portfolio also consists of juices, juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. Notable brands include Coca-Cola, Diet Coke, Sprite, Fanta, Minute Maid, and Dasani. The company operates globally in 200+ countries through a network of company-controlled and independent bottling/distribution partners.

Industry outlook

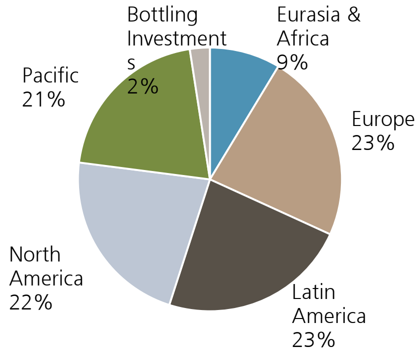
Although HPC and Beverage stocks have been good places to invest over the past several decades, we see the future as fundamentally more difficult than the past, characterized by slower and/or more costly growth, and heightened competition. With valuations not yet compelling and emerging markets out of favor, we suspect this will continue to be a drag on the sector broadly, and 2014 is unlikely to be positive for bond-like equities. While market volatility could spur sporadic "flights to safety", we suspect such defensive spikes will be temporary. Overall, we remain neutral on the group.

Revenues by Region (FY 2013):



Source: Company reports, UBS analysis

EBIT by Operating Segment (FY 2013):



Source: Company reports, UBS analysis

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Coca-Cola (KO.N)

Income statement (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	**46,554**	**48,032**	**46,935**	**47,187**	*0.5*	**49,039**	*3.9*	**51,316**	**53,479**	**55,914**
Gross profit	28,468	28,999	28,564	28,702	*0.5*	29,927	*4.3*	31,419	32,850	34,458
EBITDA (UBS)	**13,023**	**13,232**	**13,237**	**13,355**	*0.9*	**13,996**	*4.8*	**14,795**	**15,579**	**16,454**
Depreciation & amortisation	(1,954)	(1,982)	(1,977)	(1,974)	*-0.2*	(2,011)	*1.9*	(2,104)	(2,193)	(2,292)
EBIT (UBS)	**11,069**	**11,250**	**11,260**	**11,381**	*1.1*	**11,985**	*5.3*	**12,691**	**13,386**	**14,162**
Associates & investment income	743	822	770	739	*-4.0*	798	*8.0*	835	871	910
Other non-operating income	(49)	71	75	22	*-71.2*	49	*127.0*	51	53	56
Net interest	75	74	124	24	*-80.7*	28	*16.2*	43	74	82
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**11,838**	**12,217**	**12,229**	**12,166**	*-0.5*	**12,861**	*5.7*	**13,621**	**14,385**	**15,211**
Tax	(2,832)	(2,932)	(2,803)	(2,799)	*0.2*	(2,958)	*-5.7*	(3,133)	(3,308)	(3,498)
Profit after tax	**9,006**	**9,285**	**9,426**	**9,367**	*-0.6*	**9,903**	*5.7*	**10,488**	**11,076**	**11,712**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(62)	(68)	(42)	(7)	*83.3*	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**8,944**	**9,217**	**9,384**	**9,360**	*-0.3*	**9,903**	*5.8*	**10,488**	**11,076**	**11,712**
Net earnings (UBS)	**8,944**	**9,217**	**9,384**	**9,360**	*-0.3*	**9,903**	*5.8*	**10,488**	**11,076**	**11,712**
Tax rate (%)	23.9	24.0	22.9	23.0	*0.4*	23.0	*0.0*	23.0	23.0	23.0

Per share (US$)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	1.93	2.01	2.08	2.10	*0.9*	2.25	*7.0*	2.42	2.59	2.79
EPS (local GAAP, diluted)	1.93	2.01	2.08	2.10	*0.9*	2.25	*7.0*	2.42	2.59	2.79
EPS (UBS, basic)	1.96	2.05	2.12	2.14	*0.9*	2.29	*7.1*	2.46	2.64	2.84
Net DPS (US$)	0.97	1.07	1.16	1.26	*8.5*	1.35	*7.0*	1.45	1.55	1.65
Cash EPS (UBS, diluted)[1]	2.35	2.44	2.52	2.54	*0.9*	2.70	*6.3*	2.90	3.11	3.33
Book value per share	7.03	7.37	7.54	7.63	*1.1*	7.86	*3.1*	8.12	8.40	8.71
Average shares (diluted)	4,646.00	4,584.00	4,509.00	4,459.24	*-1.1*	4,408.85	*-1.1*	4,338.73	4,269.73	4,201.82

Balance sheet (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	12,803	8,442	10,414	8,239	*-20.9*	8,500	*3.2*	8,052	7,707	7,386
Other current assets	12,694	21,886	20,890	19,236	*-7.9*	19,284	*0.2*	20,359	21,380	22,470
Total current assets	**25,497**	**30,328**	**31,304**	**27,474**	*-12.2*	**27,783**	*1.1*	**28,411**	**29,087**	**29,856**
Net tangible fixed assets	14,939	14,476	14,967	15,299	*2.2*	15,741	*2.9*	16,202	16,684	17,187
Net intangible fixed assets	27,669	27,337	27,611	27,595	*-0.1*	27,595	*0.0*	27,595	27,595	27,595
Investments / other assets	11,869	14,033	16,173	17,109	*5.8*	17,019	*-0.5*	17,277	17,508	17,754
Total assets	**79,974**	**86,174**	**90,055**	**87,477**	*-2.9*	**88,138**	*0.8*	**89,485**	**90,873**	**92,393**
Trade payables & other ST liabilities	9,371	9,947	9,886	9,827	*-0.6*	10,145	*3.2*	10,550	10,974	11,424
Short term debt	14,912	17,874	17,925	19,801	*10.47*	19,801	*0.00*	19,801	19,801	19,801
Total current liabilities	**24,283**	**27,821**	**27,811**	**29,628**	*6.5*	**29,946**	*1.1*	**30,351**	**30,775**	**31,225**
Long term debt	13,656	14,736	19,154	18,640	*-2.7*	18,640	*0.0*	18,640	18,640	18,640
Other long term liabilities	10,114	10,449	9,650	5,916	*-38.7*	5,782	*-2.3*	6,165	6,508	6,875
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**48,053**	**53,006**	**56,615**	**54,184**	*-4.3*	**54,369**	*0.3*	**55,156**	**55,923**	**56,740**
Common s/h equity	31,921	33,168	33,440	33,294	*-0.4*	33,769	*1.4*	34,329	34,950	35,653
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**79,974**	**86,174**	**90,055**	**87,477**	*-2.9*	**88,138**	*0.8*	**89,485**	**90,873**	**92,393**

Cash flow (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	8,944	9,217	9,384	9,360	*-0.3*	9,903	*5.8*	10,488	11,076	11,712
Depreciation & amortisation	1,954	1,982	1,977	1,974	*-0.2*	2,011	*1.9*	2,104	2,193	2,292
Net change in working capital	(1,893)	(1,080)	(932)	(1,128)	*-21.0*	66	-	(83)	(70)	(75)
Other operating	767	657	871	1,099	*26.2*	875	*-20.3*	945	1,049	1,113
Operating cash flow	**9,772**	**10,776**	**11,300**	**11,305**	*0.0*	**12,855**	*13.7*	**13,454**	**14,248**	**15,042**
Tangible capital expenditure	(2,920)	(2,780)	(2,439)	(2,389)	*2.1*	(2,452)	*-2.6*	(2,566)	(2,674)	(2,796)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	(1,202)	(4,612)	(1,472)	(1,859)	*-26.3*	0	-	0	0	0
Other investing	1,598	(4,012)	(303)	(1,734)	-	(714)	-	(1,409)	(1,464)	(1,558)
Investing cash flow	**(2,524)**	**(11,404)**	**(4,214)**	**(5,982)**	*-42.0*	**(3,166)**	*47.1*	**(3,974)**	**(4,138)**	**(4,353)**
Equity dividends paid	(4,300)	(4,595)	(4,969)	(5,534)	*-11.4*	(5,849)	*-5.7*	(6,159)	(6,486)	(6,829)
Share issues / (buybacks)	(2,944)	(3,070)	(3,504)	(2,262)	*35.4*	(3,676)	*-62.5*	(3,871)	(4,076)	(4,292)
Other financing	45	100	17	(397)	-	98	-	103	107	112
Change in debt & pref shares	4,965	4,218	4,711	1,359	*-71.15*	0	-	0	0	0
Financing cash flow	**(2,234)**	**(3,347)**	**(3,745)**	**(6,834)**	*-82.5*	**(9,428)**	*-38.0*	**(9,928)**	**(10,455)**	**(11,010)**
Cash flow inc/(dec) in cash	**5,014**	**(3,975)**	**3,341**	**(1,511)**	-	**261**	-	**(448)**	**(345)**	**(321)**
FX / non cash items	(728)	(386)	(1,369)	(664)	*51.5*	0	*100.0*	0	0	0
Balance sheet inc/(dec) in cash	**4,286**	**(4,361)**	**1,972**	**(2,175)**	-	**261**	-	**(448)**	**(345)**	**(321)**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Coca-Cola (KO.N)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	17.3	18.4	19.1	19.9	18.6	17.3	16.1	15.0
P/E (UBS, diluted)	17.3	18.4	19.1	19.9	18.6	17.3	16.1	15.0
P/CEPS	14.0	14.9	15.5	16.2	15.2	14.2	13.2	12.3
Equity FCF (UBS) yield %	4.5	4.8	5.0	4.8	5.6	5.9	6.3	6.6
Net dividend yield (%)	2.9	2.9	2.9	3.0	3.2	3.5	3.7	4.0
P/BV x	4.7	5.0	5.3	5.5	5.3	5.2	5.0	4.8
EV/revenues (core)	2.7	2.7	2.8	2.9	2.8	2.7	2.5	2.4
EV/EBITDA (core)	9.6	9.8	10.1	10.3	9.8	9.2	8.7	8.2
EV/EBIT (core)	11.3	11.5	11.9	12.0	11.5	10.8	10.2	9.6
EV/OpFCF (core)	12.4	12.4	12.4	12.5	11.9	11.2	10.5	9.9
EV/op. invested capital	3.5	3.3	3.1	3.0	2.9	2.9	2.8	2.8

Enterprise value (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	152,794	167,436	176,596	184,224	184,224	184,224	184,224	184,224
Net debt (cash)	(15,765)	(24,168)	(26,665)	(30,202)	(29,941)	(30,389)	(30,734)	(31,055)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**137,029**	**143,268**	**149,931**	**154,021**	**154,282**	**153,834**	**153,489**	**153,169**
Non core assets	(11,869)	(14,033)	(16,173)	(17,109)	(17,019)	(17,277)	(17,508)	(17,754)
Core enterprise value	**125,160**	**129,235**	**133,758**	**136,912**	**137,263**	**136,558**	**135,982**	**135,414**

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	32.5	3.2	-2.3	0.5	3.9	4.6	4.2	4.6
EBITDA (UBS)	18.2	1.6	0.0	0.9	4.8	5.7	5.3	5.6
EBIT (UBS)	15.6	1.6	0.1	1.1	5.3	5.9	5.5	5.8
EPS (UBS, diluted)	10.3	4.4	3.5	0.9	7.0	7.6	7.3	7.5
Net DPS	10.0	10.0	8.5	8.5	7.0	7.0	7.0	7.0

Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	61.2	60.4	60.9	60.8	61.0	61.2	61.4	61.6
EBITDA margin	28.0	27.5	28.2	28.3	28.5	28.8	29.1	29.4
EBIT margin	23.8	23.4	24.0	24.1	24.4	24.7	25.0	25.3
Net earnings (UBS) margin	19.2	19.2	20.0	19.8	20.2	20.4	20.7	20.9
ROIC (EBIT)	30.6	28.4	25.8	25.2	25.8	27.0	28.0	29.2
ROIC post tax	22.8	21.1	19.5	19.0	19.4	20.4	21.1	22.0
ROE (UBS)	28.3	28.3	28.2	28.1	29.5	30.8	32.0	33.2

Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	1.2	1.8	2.0	2.3	2.1	2.1	2.0	1.9
Net debt / total equity %	49.4	72.9	79.7	90.7	88.7	88.5	87.9	87.1
Net debt / (net debt + total equity) %	33.1	42.2	44.4	47.6	47.0	47.0	46.8	46.6
Net debt/EV	12.6	18.7	19.9	22.1	21.8	22.3	22.6	22.9
Capex / depreciation %	149.4	140.3	123.4	121.0	122.0	122.0	122.0	122.0
Capex / revenue %	6.3	5.8	5.2	5.1	5.0	5.0	5.0	5.0
EBIT / net interest	NM	NM	NM	NM	NM	NM	NM	NM
Dividend cover (UBS)	2.0	1.9	1.8	1.7	1.7	1.7	1.7	1.7
Div. payout ratio (UBS) %	49.8	52.4	55.0	59.1	59.1	58.7	58.6	58.3

Revenues by division (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	46,554	48,032	46,935	47,187	49,039	51,316	53,479	55,914
Total	**46,554**	**48,032**	**46,935**	**47,187**	**49,039**	**51,316**	**53,479**	**55,914**

EBIT (UBS) by division (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	11,069	11,250	11,260	11,381	11,985	12,691	13,386	14,162
Total	**11,069**	**11,250**	**11,260**	**11,381**	**11,985**	**12,691**	**13,386**	**14,162**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Investment Thesis

Coca-Cola Ent.

12-month rating **Neutral**

12m price target **US$50.00**

Investment case

CCE is a very well-run company, with strong market shares, and a strong track-record of returning cash return to shareholders. However, CCE's future prospects are constrained, in our view, by limited (organic) growth opportunities and limited incremental margin opportunities, especially as CCE is reliant upon brands owned by (and ultimately controlled by) KO. CCE will likely do deals going forward, but this only adds further risk/uncertainty, in our view. Looking ahead, our base case calls for +LSD organic growth, continued cost discipline, and continued (outsized) buybacks leading to +DD normalized EPS growth. From year-to-year, however, FX (specifically GBPUSD and EURUSD relationships) will be a key swing factor. Our $50 PT is based on a weighted-average multi-scenario DCF framework and implies 15.5x our base case EPS estimate 13-24 months out of $3.23.

Upside scenario

Our upside scenario assumes CCE can accelerate normalized profit growth from +MSD to +HSD longer-term (consistent with company targets), either through further top-line recovery and/or enhanced productivity gains, leading to an upside valuation of $67. We assign 20% weighting to this outcome.

Downside scenario

Our downside scenario assumes CCE generates only +LSD normalized profit growth, given prolonged top-line shortfalls, failed productivity efforts, productivity efforts that become fully reinvested, and/or erosion of CCE's profit pool split with KO leading to a downside valuation of only $37. We assign 20% weighting to this outcome.

Upcoming catalysts

Quarterly earnings, Conference appearances

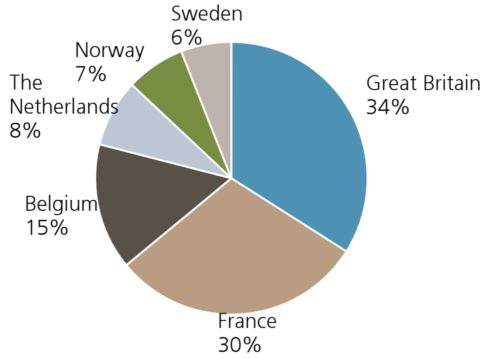
Business description

Coca-Cola Enterprises (CCE) produces, markets, sells, and distributes non-alcoholic beverages in Western Europe. The company's product portfolio includes carbonated soft drinks, energy drinks, still and sparkling waters, juices, sports drinks, and ready-to-drink teas. CCE is The Coca-Cola Company's strategic bottling partner in Western Europe. More than 90% of the company's sales volume consists of sales of The Coca-Cola Company's products. CCE sold its North American bottling operations to The Coca-Cola Company in 2010, concurrently acquiring the bottling operations of Norway and Sweden.

Industry outlook

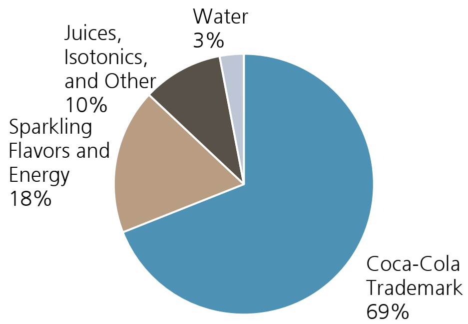
Although HPC and Beverage stocks have been good places to invest over the past several decades, we see the future as fundamentally more difficult than the past, characterized by slower and/or more costly growth, and heightened competition. With valuations not yet compelling and emerging markets out of favor, we suspect this will continue to be a drag on the sector broadly, and 2014 is unlikely to be positive for bond-like equities. While market volatility could spur sporadic "flights to safety", we suspect such defensive spikes will be temporary. Overall, we remain neutral on the group.

Revenues by Country (FY 2013):



Source: Company reports, UBS analysis

Volume by Brands (FY 2013):



Source: Company reports, UBS analysis

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Coca-Cola Enterprises (CCE.N)

Income statement (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	**8,284**	**8,062**	**8,212**	**8,699**	*5.9*	**9,021**	*3.7*	**9,366**	**9,676**	**10,020**
Gross profit	3,034	2,902	2,874	3,049	*6.1*	3,173	*4.0*	3,303	3,421	3,553
EBITDA (UBS)	**1,381**	**1,352**	**1,354**	**1,473**	*8.8*	**1,543**	*4.8*	**1,621**	**1,694**	**1,775**
Depreciation & amortisation	(321)	(335)	(308)	(348)	*13.0*	(361)	*3.6*	(375)	(387)	(401)
EBIT (UBS)	**1,060**	**1,017**	**1,046**	**1,124**	*7.5*	**1,182**	*5.1*	**1,246**	**1,307**	**1,374**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	(3)	3	(6)	(8)	*-30.5*	(9)	*-15.2*	(9)	(10)	(10)
Net interest	(85)	(94)	(103)	(112)	*-8.9*	(110)	*2.0*	(103)	(95)	(86)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**972**	**926**	**937**	**1,004**	*7.2*	**1,063**	*5.9*	**1,134**	**1,203**	**1,278**
Tax	(257)	(247)	(250)	(268)	*-7.2*	(284)	*-5.9*	(303)	(321)	(341)
Profit after tax	**715**	**679**	**687**	**736**	*7.2*	**779**	*5.9*	**831**	**882**	**937**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**715**	**679**	**687**	**736**	*7.2*	**779**	*5.9*	**831**	**882**	**937**
Net earnings (UBS)	**715**	**679**	**687**	**736**	*7.2*	**779**	*5.9*	**831**	**882**	**937**
Tax rate (%)	26.5	26.7	26.7	26.7	*0.1*	26.7	*0.0*	26.7	26.7	26.7

Per share (US$)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	2.19	2.26	2.52	2.91	*15.7*	3.19	*9.6*	3.46	3.73	4.04
EPS (local GAAP, diluted)	2.19	2.26	2.52	2.91	*15.7*	3.19	*9.6*	3.46	3.73	4.04
EPS (UBS, basic)	2.24	2.31	2.56	2.95	*15.0*	3.25	*10.2*	3.52	3.80	4.11
Net DPS (US$)	0.51	0.64	0.80	1.00	*25.0*	1.09	*9.0*	1.17	1.25	1.34
Cash EPS (UBS, diluted)[1]	3.17	3.37	3.64	4.29	*17.7*	4.67	*8.8*	5.02	5.37	5.76
Book value per share	9.29	9.14	8.78	8.07	*-8.1*	9.20	*14.0*	10.47	11.87	13.41
Average shares (diluted)	327.00	301.00	273.00	252.80	*-7.4*	244.26	*-3.4*	240.12	236.06	232.07

Balance sheet (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	684	721	343	405	*18.2*	610	*50.4*	907	1,216	1,549
Other current assets	2,002	2,041	2,225	2,216	*-0.4*	2,285	*3.1*	2,369	2,453	2,541
Total current assets	**2,686**	**2,762**	**2,568**	**2,622**	*2.1*	**2,895**	*10.4*	**3,275**	**3,669**	**4,091**
Net tangible fixed assets	2,230	2,322	2,353	2,331	*-0.9*	2,335	*0.2*	2,340	2,346	2,353
Net intangible fixed assets	3,895	4,055	4,128	4,139	*0.3*	4,139	*0.0*	4,139	4,139	4,139
Investments / other assets	283	371	476	409	*-14.0*	398	*-2.7*	421	441	461
Total assets	**9,094**	**9,510**	**9,525**	**9,501**	*-0.3*	**9,767**	*2.8*	**10,175**	**10,595**	**11,043**
Trade payables & other ST liabilities	1,832	1,947	2,084	2,059	*-1.2*	2,125	*3.2*	2,198	2,273	2,351
Short term debt	16	632	111	414	*272.97*	414	*0.00*	414	414	414
Total current liabilities	**1,848**	**2,579**	**2,195**	**2,473**	*12.6*	**2,539**	*2.7*	**2,612**	**2,687**	**2,765**
Long term debt	2,996	2,834	3,726	3,730	*0.1*	3,730	*0.0*	3,730	3,730	3,730
Other long term liabilities	1,351	1,404	1,324	1,346	*1.7*	1,310	*-2.7*	1,385	1,449	1,516
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**6,195**	**6,817**	**7,245**	**7,549**	*4.2*	**7,579**	*0.4*	**7,727**	**7,867**	**8,011**
Common s/h equity	2,899	2,693	2,280	1,952	*-14.4*	2,189	*12.1*	2,448	2,728	3,032
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**9,094**	**9,510**	**9,525**	**9,501**	*-0.3*	**9,767**	*2.8*	**10,175**	**10,595**	**11,043**

Cash flow (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	715	679	687	736	*7.2*	779	*5.9*	831	882	937
Depreciation & amortisation	321	335	308	348	*13.0*	361	*3.6*	375	387	401
Net change in working capital	(106)	107	(79)	51	-	(3)	-	(10)	(9)	(10)
Other operating	(102)	(172)	(63)	(66)	*-5.2*	(112)	*-68.4*	(115)	(96)	(105)
Operating cash flow	**828**	**949**	**853**	**1,069**	*25.3*	**1,026**	*-4.1*	**1,081**	**1,163**	**1,222**
Tangible capital expenditure	(376)	(378)	(313)	(368)	*-17.6*	(365)	*0.9*	(380)	(393)	(408)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	0	4	0	-	0	-	0	0	0
Other investing	17	5	(21)	132	-	86	-	167	141	152
Investing cash flow	**(359)**	**(373)**	**(330)**	**(236)**	*28.5*	**(279)**	*-18.1*	**(213)**	**(252)**	**(256)**
Equity dividends paid	(162)	(187)	(213)	(247)	*-16.2*	(262)	*-5.7*	(275)	(289)	(304)
Share issues / (buybacks)	(800)	(780)	(1,006)	(835)	*17.0*	(300)	*64.1*	(315)	(331)	(349)
Other financing	87	(3)	15	20	*31.06*	18	*-8.22*	19	19	20
Change in debt & pref shares	746	414	308	298	*-3.25*	0	-	0	0	0
Financing cash flow	**(129)**	**(556)**	**(896)**	**(765)**	*14.6*	**(543)**	*29.0*	**(571)**	**(601)**	**(633)**
Cash flow inc/(dec) in cash	**340**	**20**	**(373)**	**68**	-	**204**	*198.9*	**297**	**309**	**334**
FX / non cash items	23	17	(5)	(6)	*-20.0*	0	-	0	0	0
Balance sheet inc/(dec) in cash	**363**	**37**	**(378)**	**62**	-	**204**	*227.6*	**297**	**309**	**334**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Coca-Cola Enterprises (CCE.N)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	12.3	12.9	15.1	16.2	14.8	13.6	12.6	11.7
P/E (UBS, diluted)	12.3	12.9	15.1	16.2	14.8	13.6	12.6	11.7
P/CEPS	8.2	8.4	10.2	10.8	9.9	9.2	8.6	8.0
Equity FCF (UBS) yield %	5.2	6.6	5.3	5.8	5.5	5.8	6.3	6.7
Net dividend yield (%)	1.9	2.2	2.1	2.1	2.3	2.5	2.7	2.8
P/BV x	2.9	3.2	4.3	5.8	5.1	4.5	4.0	3.5
EV/revenues (core)	0.8	0.7	0.8	1.0	1.0	0.9	1.0	1.0
EV/EBITDA (core)	4.6	4.4	5.0	5.7	5.6	5.5	5.4	5.4
EV/EBIT (core)	5.9	5.8	6.5	7.5	7.3	7.1	7.0	6.9
EV/OpFCF (core)	6.3	6.1	6.5	7.6	7.3	7.2	7.1	7.0
EV/op. invested capital	1.2	1.1	1.2	1.5	1.5	1.6	1.6	1.7

Enterprise value (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	8,625	8,646	10,258	12,130	12,130	12,130	12,130	12,130
Net debt (cash)	(2,328)	(2,745)	(3,494)	(3,739)	(3,534)	(3,237)	(2,928)	(2,595)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**6,297**	**5,901**	**6,764**	**8,392**	**8,596**	**8,893**	**9,202**	**9,536**
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	**6,297**	**5,901**	**6,764**	**8,392**	**8,596**	**8,893**	**9,202**	**9,536**

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	11.5	-2.7	1.9	5.9	3.7	3.8	3.3	3.6
EBITDA (UBS)	17.8	-2.1	0.1	8.8	4.8	5.0	4.6	4.8
EBIT (UBS)	16.7	-4.1	2.9	7.5	5.1	5.4	4.9	5.1
EPS (UBS, diluted)	23.1	3.2	11.6	15.7	9.6	8.5	7.9	8.1
Net DPS	NM	25.5	25.0	25.0	9.0	7.0	7.0	7.0

Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	36.6	36.0	35.0	35.1	35.2	35.3	35.4	35.5
EBITDA margin	16.7	16.8	16.5	16.9	17.1	17.3	17.5	17.7
EBIT margin	12.8	12.6	12.7	12.9	13.1	13.3	13.5	13.7
Net earnings (UBS) margin	8.6	8.4	8.4	8.5	8.6	8.9	9.1	9.3
ROIC (EBIT)	20.5	19.1	18.7	19.6	20.7	21.8	23.1	24.4
ROIC post tax	15.1	14.0	13.7	14.4	15.2	16.0	16.9	17.9
ROE (UBS)	23.7	24.3	27.6	34.8	37.6	35.8	34.1	32.5

Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	1.7	2.0	2.6	2.5	2.3	2.0	1.7	1.5
Net debt / total equity %	80.3	101.9	153.2	191.5	161.5	132.2	107.3	85.6
Net debt / (net debt + total equity) %	44.5	50.5	60.5	65.7	61.8	56.9	51.8	46.1
Net debt/EV	37.0	46.5	51.7	44.6	41.1	36.4	31.8	27.2
Capex / depreciation %	117.1	112.8	101.6	105.7	101.1	101.4	101.5	101.7
Capex / revenue %	4.5	4.7	3.8	4.2	4.0	4.1	4.1	4.1
EBIT / net interest	12.5	10.8	10.2	10.0	10.8	12.1	13.8	15.9
Dividend cover (UBS)	4.4	3.6	3.2	2.9	3.0	3.0	3.0	3.1
Div. payout ratio (UBS) %	22.8	27.7	31.2	33.9	33.6	33.1	32.8	32.5

Revenues by division (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	8,284	8,062	8,212	8,699	9,021	9,366	9,676	10,020
Total	**8,284**	**8,062**	**8,212**	**8,699**	**9,021**	**9,366**	**9,676**	**10,020**

EBIT (UBS) by division (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	1,060	1,017	1,046	1,124	1,182	1,246	1,307	1,374
Total	**1,060**	**1,017**	**1,046**	**1,124**	**1,182**	**1,246**	**1,307**	**1,374**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Investment Thesis

CCI

12-month rating — **Neutral**

12m price target — **TRY59.00**

Investment case

CCI is the leading soft drink company in Turkey with a 67% market share and has a very attractive portfolio of international regions which offer strong growth prospects. The international volumes now account for 46% of the total volumes and we continue to expect international volumes to grow at mid to high teen levels in the medium term. Domestic market on the other hand is relatively more mature and is expected to grow at low to mid single digits.

Upside scenario

In our upside scenario we assume a 100 bps increase in volume growth versus our base case and a 100 bps higher margin assumption over our base case. In such a scenario our fair value would be TRY 70 per share.

Downside scenario

In our downside scenario we assume a 100 bps lower growth in volumes and 100 bps weaker margins versus our base case. In such a scenario our fair value would be TRY 40 per share.

Upcoming catalysts

Q2'14 results expected sometime in August 2014.

Business description

Coca Cola Icecek (CCI) is the sixth largest bottler in the Coca-Cola System in terms of sales volume. CCI's core business is to produce, sell, and distribute sparkling and still beverages of The Coca-Cola Company (TCCC). CCI has operations in Turkey, Pakistan, Kazakhstan, Azerbaijan, Kyrgyzstan, Turkmenistan, Jordan, Iraq, and Syria as well as exports to Tajikistan.

CCI has a total of 20 plants and offers a wide range of beverages to a consumer base of more than 360 million people. In addition to sparkling beverages, the product portfolio includes juices, water, sports and energy drinks, tea, and iced tea.

Industry outlook

We continue to have a positive outlook on the prospects of a pick-up in penetration and per capital consumption in CCI's international portfolio.

EBIT by product segment

TRY mln	2009	2010	2011	2012	2013
Revenue					
Turkey	1,868	2,121	2,473	2,758	2,913
%growth		*13.5%*	*16.6%*	*11.5%*	*5.6%*
International	541	634	963	1,381	2,279
%growth		*17.2%*	*51.9%*	*43.4%*	*65.0%*
EBIT					
Turkey	205	240	268	311	341
%growth		*17.1%*	*11.7%*	*16.0%*	*9.6%*
International	31	43	76	168	291
%growth		*38.7%*	*76.7%*	*121.1%*	*73.2%*

Source: Company data

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Coca Cola Icecek (CCOLA.IS)

Income statement (TRYm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	**3,409**	**4,132**	**5,187**	**6,348**	22.4	**7,363**	16.0	**8,350**	**9,679**	**11,185**
Gross profit	1,263	1,588	1,958	2,389	22.0	2,782	16.4	3,178	3,665	4,282
EBITDA (UBS)	**482**	**670**	**874**	**1,118**	27.9	**1,333**	19.3	**1,551**	**1,810**	**2,169**
Depreciation & amortisation	(154)	(196)	(280)	(355)	27.0	(415)	16.9	(473)	(551)	(641)
EBIT (UBS)	**328**	**474**	**594**	**763**	28.3	**918**	20.4	**1,079**	**1,258**	**1,528**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	(122)	31	35	0	-	0	-	0	0	0
Net interest	(23)	(22)	(54)	(38)	29.9	(47)	-22.6	(56)	(53)	(46)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**183**	**483**	**575**	**725**	26.0	**872**	20.3	**1,023**	**1,205**	**1,482**
Tax	(42)	(98)	(72)	(159)	-122.0	(192)	-20.3	(225)	(265)	(326)
Profit after tax	**141**	**385**	**503**	**565**	12.3	**680**	20.3	**798**	**940**	**1,156**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(1)	(5)	(13)	(14)	-5.5	(27)	-92.5	(32)	(38)	(46)
Extraordinary items	0	0	242	0	-	0	-	0	0	0
Net earnings (local GAAP)	**140**	**380**	**731**	**551**	-24.7	**653**	18.4	**766**	**902**	**1,110**
Net earnings (UBS)	**140**	**380**	**490**	**551**	12.5	**653**	18.4	**766**	**902**	**1,110**
Tax rate (%)	22.8	20.2	12.5	22.0	76.2	22.0	0.0	22.0	22.0	22.0

Per share (TRY)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	0.55	1.49	1.93	2.17	12.5	2.57	18.4	3.01	3.55	4.36
EPS (local GAAP, diluted)	0.55	1.49	2.88	2.17	-24.7	2.57	18.4	3.01	3.55	4.36
EPS (UBS, basic)	0.55	1.49	1.93	2.17	12.5	2.57	18.4	3.01	3.55	4.36
Net DPS (TRY)	0.24	0.67	0.58	0.97	68.9	1.15	18.4	1.35	1.60	1.96
Cash EPS (UBS, diluted)[1]	1.16	2.26	3.02	3.56	17.8	4.20	17.8	4.87	5.72	6.88
Book value per share	6.49	7.43	10.12	11.71	15.7	13.30	13.6	15.16	17.35	20.12
Average shares (diluted)	254.37	254.37	254.37	254.37	0.0	254.37	0.0	254.37	254.37	254.37

Balance sheet (TRYm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Tangible fixed assets	1,677	1,928	2,784	3,254	16.9	3,723	14.4	4,085	4,501	4,979
Intangible fixed assets	594	721	1,301	1,301	0.0	1,301	0.0	1,301	1,301	1,301
Investments	0	0	0	0	-	0	-	0	0	0
Other assets	67	59	118	95	-19.3	110	16.0	125	145	168
Total fixed assets	**2,337**	**2,708**	**4,203**	**4,651**	10.6	**5,135**	10.4	**5,512**	**5,948**	**6,448**
Net working capital	**527**	**606**	**1,239**	**1,381**	11.4	**1,512**	9.5	**1,644**	**1,812**	**2,016**
Cash	522	490	917	1,051	14.6	892	-15.1	920	994	1,129
Short term debt	(125)	(229)	(1,169)	(1,569)	-34.2	(1,569)	0.0	(1,569)	(1,569)	(1,569)
Long term debt	(1,509)	(1,448)	(1,918)	(1,816)	5.3	(1,791)	1.3	(1,767)	(1,767)	(1,767)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	**(1,112)**	**(1,187)**	**(2,169)**	**(2,333)**	-7.6	**(2,468)**	-5.8	**(2,416)**	**(2,342)**	**(2,207)**
Other debt-deemed liabilities	0	0	0	0	-	0	-	0	0	0
Provisions & non-debt deemed liabs	(83)	(212)	(402)	(408)	-1.7	(458)	-12.1	(514)	(598)	(686)
Total equity	**1,670**	**1,914**	**2,871**	**3,290**	14.6	**3,722**	13.1	**4,225**	**4,821**	**5,571**
Minority interests	(20)	(25)	(297)	(311)	-4.8	(338)	-8.7	(370)	(408)	(454)
Common s/h equity	**1,650**	**1,889**	**2,575**	**2,979**	15.7	**3,383**	13.6	**3,855**	**4,413**	**5,117**
Operating invested capital	**2,782**	**3,101**	**5,041**	**5,623**	11.6	**6,189**	10.1	**6,642**	**7,163**	**7,778**
Total capital employed	**2,782**	**3,101**	**5,041**	**5,623**	11.6	**6,189**	10.1	**6,642**	**7,163**	**7,778**

Cash flow (TRYm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EBIT (UBS)	328	474	594	763	28.3	918	20.4	1,079	1,258	1,528
Depreciation & amortisation	154	196	280	355	27.0	415	16.9	473	551	641
Net change in working capital	(249)	(177)	(274)	(150)	45.2	(144)	3.9	(146)	(158)	(184)
Net interest	(23)	(22)	(54)	(38)	29.9	(47)	-22.6	(56)	(53)	(46)
Tax paid	(30)	(102)	(62)	(159)	-157.4	(192)	-20.3	(225)	(265)	(326)
Other operating	61	49	396	38	-90.4	47	22.6	56	53	4
Operating cash flow	**241**	**418**	**880**	**808**	37.3	**997**	23.8	**1,180**	**1,387**	**1,617**
Tangible capital expenditure	(482)	(355)	(689)	(825)	-19.8	(884)	-7.1	(835)	(968)	(1,119)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Equity free cash flow	**(241)**	**63**	**191**	**(17)**	-	**114**	-	**345**	**419**	**499**
Net (acquisitions) & disposals	0	(210)	54	0	-	0	-	0	0	0
Equity dividends paid	(70)	(60)	(80)	(147)	-83.2	(248)	-68.9	(294)	(345)	(406)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Net other cash flows	103	(114)	(445)	0	-	0	-	0	0	0
Cash flow (inc)/dec in net debt	**(208)**	**(321)**	**(281)**	**(164)**	41.7	**(134)**	18.0	**52**	**74**	**93**
FX / non cash items	(150)	246	(701)	0	-	0	-	0	0	42
Balance sheet (inc)/dec in net debt	**(358)**	**(75)**	**(982)**	**(164)**	83.3	**(134)**	18.0	**52**	**74**	**135**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Coca Cola Icecek (CCOLA.IS)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	39.3	18.6	17.5	24.5	20.7	17.6	14.9	12.1
P/E (UBS, diluted)	39.3	18.6	26.2	24.5	20.7	17.6	14.9	12.1
P/CEPS	18.7	12.3	16.7	14.9	12.6	10.9	9.3	7.7
Equity FCF (UBS) yield %	(4.4)	0.9	1.5	(0.1)	0.8	2.6	3.1	3.7
Net dividend yield (%)	1.1	2.4	1.1	1.8	2.2	2.6	3.0	3.7
P/BV x	3.3	3.7	5.0	4.5	4.0	3.5	3.1	2.6
EV/revenues (core)	1.9	2.0	2.9	2.5	2.2	2.0	1.7	1.5
EV/EBITDA (core)	13.4	12.3	16.9	14.4	12.2	10.5	9.0	7.6
EV/EBIT (core)	19.7	17.4	24.9	21.0	17.7	15.1	12.9	10.8
EV/OpFCF (core)	13.4	12.3	16.9	14.4	12.2	10.5	9.0	7.6
EV/op. invested capital	2.6	2.8	3.6	3.0	2.7	2.5	2.4	2.2

Enterprise value (TRYm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	5,506	7,075	12,823	13,482	13,482	13,482	13,482	13,482
Net debt (cash)	933	1,149	1,678	2,251	2,401	2,442	2,379	2,590
Buy out of minorities	20	25	297	311	338	370	408	454
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**6,459**	**8,250**	**14,798**	**16,044**	**16,220**	**16,294**	**16,268**	**16,526**
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	**6,459**	**8,250**	**14,798**	**16,044**	**16,220**	**16,294**	**16,268**	**16,526**

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	23.8	21.2	25.5	22.4	16.0	13.4	15.9	15.6
EBITDA (UBS)	15.0	39.0	30.4	27.9	19.3	16.4	16.7	19.9
EBIT (UBS)	20.8	44.4	25.3	28.3	20.4	17.5	16.7	21.4
EPS (UBS, diluted)	-29.0	171.0	28.9	12.5	18.4	17.3	17.9	23.0
Net DPS	-14.2	185.0	-14.2	68.9	18.4	17.3	17.9	23.0

Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	37.0	38.4	37.8	37.6	37.8	38.1	37.9	38.3
EBITDA margin	14.1	16.2	16.8	17.6	18.1	18.6	18.7	19.4
EBIT margin	9.6	11.5	11.5	12.0	12.5	12.9	13.0	13.7
Net earnings (UBS) margin	4.1	9.2	9.4	8.7	8.9	9.2	9.3	9.9
ROIC (EBIT)	13.2	16.1	14.6	14.3	15.5	16.8	18.2	20.5
ROIC post tax	10.2	12.9	12.8	11.2	12.1	13.1	14.2	16.0
ROE (UBS)	9.1	21.5	21.9	19.8	20.5	21.2	21.8	23.3

Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	2.3	1.8	2.5	2.1	1.9	1.6	1.3	1.0
Net debt / total equity %	66.6	62.0	75.6	70.9	66.3	57.2	48.6	39.6
Net debt / (net debt + total equity) %	40.0	38.3	43.0	41.5	39.9	36.4	32.7	28.4
Net debt/EV	17.2	14.4	14.7	14.5	15.2	14.8	14.4	13.4
Capex / depreciation %	NM	181.1	NM	NM	NM	176.7	175.5	174.4
Capex / revenue %	14.1	8.6	13.3	13.0	12.0	10.0	10.0	10.0
EBIT / net interest	14.5	21.3	11.0	20.1	19.7	19.2	23.6	33.1
Dividend cover (UBS)	2.3	2.2	3.3	2.2	2.2	2.2	2.2	2.2
Div. payout ratio (UBS) %	42.8	45.0	30.0	45.0	45.0	45.0	45.0	45.0

Revenues by division (TRYm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	3,409	4,132	5,187	6,348	7,363	8,350	9,679	11,185
Total	**3,409**	**4,132**	**5,187**	**6,348**	**7,363**	**8,350**	**9,679**	**11,185**

EBIT (UBS) by division (TRYm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	328	474	594	763	918	1,079	1,258	1,528
Total	**328**	**474**	**594**	**763**	**918**	**1,079**	**1,258**	**1,528**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Investment Thesis

Coca-Cola Amatil

12-month rating **Neutral**

12m price target **A$9.20**

Investment case

We see CCL as part way through a PE de-rate because:

1. Capex has been growing faster than sales (ROIC is falling from 22% in FY10 to 17% in FY14e);
2. Low hanging cost out opportunities appear harder to find
3. Price competition in the Australian supermarket channel still appears strong;
4. Bottled water is a key growth market, but brand differentiation and therefore price premium remains difficult;
5. Indonesia (12% EV) has been the main source of CCL Group growth in recent times but we expect growth to drop as CCL appears to be losing share to low priced competitors.

The main risk to our cautious call is: a) a value accretive beer deal (possible, but unlikely in our view); and b) an easing of price based competition with Asahi/Schweppes.

Upside scenario

The upside scenario detailed below could conservatively deliver a 10% valuation upgrade to $10.12/share (from $9.20).

1. A value accretive beer deal (possible but unlikely);
2 An easing of price based competition with Asahi/Schweppes (less likely in the near term we feel);
3. Accelerating price and volume growth via improving the hit rate of product innovation; and
4. After spending a lot on capex in recent years, CCL ease off for a few years and generate a significant uplift in FCF.

Downside scenario

A delay in the easing of higher than normal price based competition from Asahi/Schweppes by 2 years, combined with a bigger loss in market share of carbonated soft drinks (CSDs) in the Australian beverage market could result in EPS downgrades of 10%. This could drive a de-rating of the PE that CCL trades on to reduce our valuation by around 15% to $7.82/share (from $9.20).

Upcoming catalysts

1. Tue 19 Aug 2014: FY14 half year result.
2. Tue 26 Aug 2014: Ex-dividend (interim).
3. Late Oct 2104: CCL Investor Day

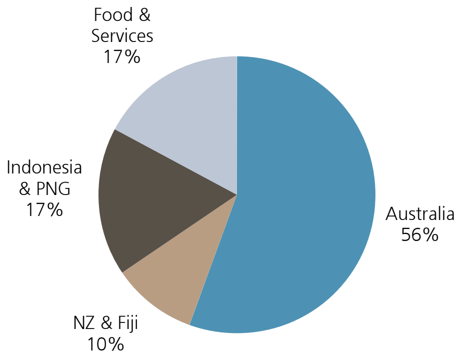
Business description

Coca-Cola Amatil (CCL) is the Australasian anchor bottler in the Coca-Cola system. CCL's portfolio of territories includes Australia, New Zealand, Fiji, Papua New Guinea and Indonesia (South Korea was divested in 2007), with Australia contributing approximately 70% of group earnings. CCL acquired SPC Ardmona in April 2005, which was a significant diversification move into food. In 2006, the company also expanded into spirits distribution and has a strategy of becoming the clear number three player in the Australian beer market by 2014.

Industry outlook

1. Market concentration in the Australia non-alcoholic beverage market is reasonably high, with CCL (#1) and Asahi/Schweppes (#2) controlling 66% by value.
2. Continued high levels of price based competition between CCL & Asahi/Schweppes is keeping pressure on margin growth.
3. Health trends are pushing demand away from carbonated soft drinks (CSDs) towards bottled water and other beverages with perceived (often not real) health value.
4. New product innovation by industry participants continues in an attempt to stem the trend towards water.
5. While CCL enjoys strong brands, the dominance of Coles and Woolworths in the grocery sector is limiting margin.

Revenues by region 2013(%)



Source: Company data

EBIT by product segment

	FY10	FY11	FY12	FY13	FY14e	FY15e	FY16e
Australia	593	607	621	566	482	494	500
NZ & Fiji	81	80	70	83	95	99	103
Indonesia & PNG	75	88	103	92	17	59	75
Food & Services	94	93	95	93	91	96	99
Group	**843**	**868**	**889**	**833**	**685**	**747**	**777**

Source: Company data

Craig Stafford, CFA, Analyst, craig.stafford@ubs.com, +61-2-9324 2277

Coca-Cola Amatil Limited (CCL.AX)

Income statement (A$m)	**12/11**	**12/12**	**12/13**	**12/14E**	*% ch*	**12/15E**	*% ch*	**12/16E**	**12/17E**	**12/18E**
Revenues	**4,856**	**5,139**	**5,084**	**5,283**	*3.9*	**5,509**	*4.3*	**5,732**	**5,943**	**6,136**
Gross profit	-	5,139	5,084	5,283	*3.9*	5,509	*4.3*	5,732	5,943	-
EBITDA (UBS)	**1,074**	**1,129**	**1,085**	**955**	*-12.0*	**1,039**	*8.8*	**1,095**	**1,154**	**1,214**
Depreciation & amortisation	(205)	(233)	(251)	(269)	*7.0*	(290)	*7.8*	(316)	(345)	(377)
EBIT (UBS)	**869**	**896**	**833**	**686**	*-17.7*	**749**	*9.2*	**779**	**809**	**837**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(128)	(112)	(125)	(114)	*8.5*	(117)	*-2.8*	(120)	(123)	(124)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**741**	**784**	**709**	**571**	*-19.3*	**631**	*10.5*	**659**	**686**	**712**
Tax	(209)	(225)	(205)	(166)	*19.2*	(183)	*-10.5*	(191)	(199)	(207)
Profit after tax	**532**	**559**	**504**	**406**	*-19.4*	**448**	*10.5*	**468**	**487**	**506**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	(1)	(1)	*-71.4*	(1)	*0.0*	(1)	(1)	(1)
Extraordinary items	60	(98)	(423)	0	-	0	-	0	0	0
Net earnings (local GAAP)	**592**	**460**	**80**	**405**	*406.3*	**447**	*10.5*	**467**	**486**	**505**
Net earnings (UBS)	**532**	**559**	**503**	**405**	*-19.5*	**447**	*10.5*	**467**	**486**	**505**
Tax rate (%)	28.2	28.7	28.9	29.0	*0.2*	29.0	*0.0*	29.0	29.0	29.0

Per share (A$)	**12/11**	**12/12**	**12/13**	**12/14E**	*% ch*	**12/15E**	*% ch*	**12/16E**	**12/17E**	**12/18E**
EPS (UBS, diluted)	0.70	0.73	0.66	0.53	*-19.8*	0.58	*10.1*	0.61	0.63	0.65
EPS (local GAAP, diluted)	0.78	0.60	0.10	0.53	*404.9*	0.58	*10.1*	0.61	0.63	0.65
EPS (UBS, basic)	0.70	0.73	0.66	0.53	*-19.8*	0.58	*10.1*	0.61	0.63	0.65
Net DPS (A$)	0.53	0.60	0.59	0.46	*-21.2*	0.47	*1.0*	0.48	0.50	0.52
Cash EPS (UBS, diluted)[1]	0.97	1.04	0.99	0.88	*-11.0*	0.96	*9.0*	1.02	1.07	1.13
Book value per share	2.74	2.72	2.28	2.31	*1.4*	2.42	*4.9*	2.54	2.66	2.75
Average shares (diluted)	757.83	760.76	762.97	765.09	*0.3*	768.09	*0.4*	771.09	774.09	777.84

Balance sheet (A$m)	**12/11**	**12/12**	**12/13**	**12/14E**	*% ch*	**12/15E**	*% ch*	**12/16E**	**12/17E**	**12/18E**
Tangible fixed assets	1,772	1,994	2,062	2,118	*2.7*	2,191	*3.4*	2,323	2,443	2,548
Intangible fixed assets	1,507	1,534	1,265	1,265	*0.0*	1,265	*0.0*	1,265	1,265	1,265
Investments	0	0	26	26	*0.0*	26	*0.0*	26	26	26
Other assets	105	263	97	97	*0.0*	97	*0.0*	97	97	97
Total fixed assets	**3,385**	**3,791**	**3,450**	**3,506**	*1.6*	**3,579**	*2.1*	**3,711**	**3,831**	**3,936**
Net working capital	**699**	**355**	**351**	**454**	*29.4*	**481**	*5.9*	**508**	**534**	**557**
Cash	665	1,178	1,426	1,100	*-22.9*	1,100	*0.0*	1,100	1,100	1,100
Short term debt	(107)	(351)	(731)	(534)	*27.0*	(543)	*-1.7*	(608)	(656)	(682)
Long term debt	(2,202)	(2,436)	(2,377)	(2,377)	*0.0*	(2,377)	*0.0*	(2,377)	(2,377)	(2,377)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	**(1,644)**	**(1,609)**	**(1,682)**	**(1,811)**	*-7.7*	**(1,820)**	*-0.5*	**(1,886)**	**(1,933)**	**(1,959)**
Other debt-deemed liabilities	0	0	0	0	-	0	-	0	0	0
Provisions & non-debt deemed liabs	(405)	(458)	(378)	(378)	*0.0*	(378)	*0.0*	(378)	(378)	(378)
Total equity	**2,034**	**2,079**	**1,740**	**1,770**	*1.7*	**1,861**	*5.1*	**1,955**	**2,053**	**2,156**
Minority interests	0	(5)	(6)	(7)	*-19.4*	(9)	*-16.2*	(10)	(11)	(12)
Common s/h equity	**2,034**	**2,073**	**1,734**	**1,763**	*1.7*	**1,852**	*5.1*	**1,945**	**2,042**	**2,143**
Operating invested capital	**3,679**	**3,688**	**3,396**	**3,555**	*4.7*	**3,655**	*2.8*	**3,814**	**3,960**	**4,088**
Total capital employed	**3,679**	**3,688**	**3,422**	**3,581**	*4.6*	**3,681**	*2.8*	**3,841**	**3,986**	**4,115**

Cash flow (A$m)	**12/11**	**12/12**	**12/13**	**12/14E**	*% ch*	**12/15E**	*% ch*	**12/16E**	**12/17E**	**12/18E**
Net income (before pref divs)	592	460	80	405	*406.3*	447	*10.5*	467	486	505
Depreciation & amortisation	205	233	252	269	*7.0*	290	*7.8*	316	345	377
Net change in working capital	57	39	30	(61)	-	(45)	*25.9*	(41)	(39)	(37)
Other operating	-	-	371	(29)	-	11	-	6	6	6
Operating cash flow	**642**	**742**	**733**	**583**	*-20.4*	**703**	*20.5*	**748**	**798**	**851**
Tangible capital expenditure	(358)	(137)	(391)	(349)	*10.8*	(363)	*-3.9*	(448)	(466)	(514)
Intangible capital expenditure	(12)	(116)	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(5)	(125)	150	(3)	-	(6)	-	(6)	(6)	(6)
Investing cash flow	**(375)**	**(378)**	**(241)**	**(352)**	*-45.8*	**(369)**	*-4.7*	**(454)**	**(472)**	**(520)**
Equity dividends paid	(379)	(414)	(473)	(353)	*25.4*	(358)	*-1.4*	(373)	(389)	(473)
Share issues / (buybacks)	201	44	(339)	30	-	91	*200.4*	95	98	102
Other financing	186	518	563	(233)	-	(67)	*71.23*	(15)	(36)	8
Change in debt & pref shares	-	-	-	-	-	-	-	-	-	-
Financing cash flow	**-**	**-**	**-**	**-**	-	**-**	-	**-**	**-**	**-**
Cash flow inc/(dec) in cash	**-**	**-**	**-**	**-**	-	**-**	-	**-**	**-**	**-**
FX / non cash items	-	-	-	-	-	-	-	-	-	-
Balance sheet inc/(dec) in cash	**280**	**513**	**248**	**(326)**	-	**0**	-	**0**	**0**	**0**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Coca-Cola Amatil Limited (CCL.AX)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	15.0	21.4	NM	17.3	15.7	15.1	14.6	14.1
P/E (UBS, diluted)	16.6	17.6	19.8	17.3	15.7	15.1	14.6	14.1
P/CEPS	12.0	12.4	13.2	10.4	9.5	9.0	8.5	8.1
Equity FCF (UBS) yield %	3.1	5.0	3.4	3.4	4.9	4.3	4.8	4.8
Net dividend yield (%)	4.5	4.6	4.5	5.0	5.1	5.3	5.5	5.7
P/BV x	4.3	4.7	5.7	4.0	3.8	3.6	3.4	3.3
EV/revenues (core)	2.1	2.2	2.3	1.7	1.6	1.5	1.5	1.5
EV/EBITDA (core)	9.6	10.0	10.7	9.2	8.5	8.1	7.7	7.4
EV/EBIT (core)	11.8	12.6	14.0	12.8	11.8	11.4	11.0	10.7
EV/OpFCF (core)	12.1	14.5	13.2	11.4	12.7	11.4	9.0	10.3
EV/op. invested capital	2.4	2.5	2.7	2.1	2.0	2.0	1.9	1.9

Enterprise value (A$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	8,669	9,691	9,950	6,979	6,979	6,979	6,979	6,979
Net debt (cash)	1,614	1,609	1,683	1,811	1,820	1,886	1,933	1,959
Buy out of minorities	0	5	6	7	9	10	11	12
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**10,283**	**11,306**	**11,639**	**8,798**	**8,808**	**8,875**	**8,923**	**8,950**
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	**10,283**	**11,306**	**11,639**	**8,798**	**8,808**	**8,875**	**8,923**	**8,950**

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	5.4	5.8	-1.1	3.9	4.3	4.1	3.7	3.2
EBITDA (UBS)	3.6	5.1	-3.9	-12.0	8.8	5.4	5.4	5.2
EBIT (UBS)	2.8	3.1	-6.9	-17.7	9.2	4.0	3.8	3.5
EPS (UBS, diluted)	4.5	4.6	-10.3	-19.8	10.1	3.9	3.8	3.4
Net DPS	8.2	13.3	-1.7	-21.2	1.0	3.9	3.8	3.5

Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	-	NM	NM	NM	NM	NM	NM	-
EBITDA margin	22.1	22.0	21.3	18.1	18.9	19.1	19.4	19.8
EBIT margin	17.9	17.4	16.4	13.0	13.6	13.6	13.6	13.6
Net earnings (UBS) margin	11.0	10.9	9.9	7.7	8.1	8.1	8.2	8.2
ROIC (EBIT)	20.1	19.7	19.0	16.2	17.2	17.3	17.4	17.5
ROIC post tax	14.4	14.0	13.5	11.5	12.2	12.3	12.4	12.8
ROE (UBS)	27.5	27.2	26.4	23.1	24.7	24.6	24.4	25.3

Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	1.5	1.4	1.6	1.9	1.8	1.7	1.7	1.6
Net debt / total equity %	80.8	77.4	96.7	102.3	97.8	96.4	94.1	90.9
Net debt / (net debt + total equity) %	44.7	43.6	49.2	50.6	49.5	49.1	48.5	47.6
Net debt/EV	16.0	14.2	14.5	20.6	20.7	21.2	21.7	21.9
Capex / depreciation %	193.1	64.5	172.8	144.3	138.0	155.0	146.2	146.7
Capex / revenue %	7.4	2.7	7.7	6.6	6.6	7.8	7.8	8.4
EBIT / net interest	6.8	8.0	6.7	6.0	6.4	6.5	6.6	6.7
Dividend cover (UBS)	1.3	1.2	1.1	1.1	1.3	1.3	1.3	1.2
Div. payout ratio (UBS) %	74.8	81.0	88.8	87.2	80.0	80.0	80.0	80.1

Revenues by division (A$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Australia	2,911	2,958	2,958	2,929	3,002	3,077	3,154	3,233
Indonesia & PNG	847	950	923	929	1,014	1,106	1,207	1,286
Food Services	673	738	742	905	954	997	1,020	1,043
Pacific	426	412	461	520	538	552	563	574
South Korea	0	0	0	0	0	0	0	0
Others	0	81	0	0	0	0	0	0
Total	**4,856**	**5,139**	**5,084**	**5,283**	**5,509**	**5,732**	**5,943**	**6,136**

EBIT (UBS) by division (A$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Australia	607	621	566	482	494	500	519	538
Pacific	80	70	83	94	98	102	105	107
Food Services	93	95	93	91	96	99	100	101
Indonesia & PNG	88	103	92	18	60	77	83	89
South Korea	0	0	0	0	0	0	0	0
Pacific Beverages	-	0	0	0	0	0	0	0
Others	1	6	0	0	1	1	1	1
Total	**869**	**896**	**833**	**686**	**749**	**779**	**809**	**837**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Investment Thesis

SABMiller

12-month rating **Neutral**

12m price target **3,500p**

Investment case

For our price target we assume a weighted average group WACC of 9.2% (from 9.6%) and perpetuity growth rate of 2.2% (unchanged). Our price target implies 19.7x 12 month forward P/E, which represents an 11% premium to our implied sector average of 17.5x, justified by its superior growth profile due to its 70% EM exposure. At a premium to the sector, we believe SABMiller is fairly valued.

Upside scenario

Our upside scenario (3800p) relies on a recovery in the Colombian beer market, following recent volatility, and stabilisation of emerging market currencies versus the US dollar. Further improvement in the core beer drinker in the US would also help the MillerCoors joint venture. If SAB can grow its volumes by mid-single digits and its EBIT by low-double digits, we believe the stock could trade on 20x 12-month forward PE, and stay at a 10- 20% premium to the Consumer Staples Index. As discussed in our 16 April 2014 report "What will ABI do with its cash?" we describe a take-out scenario of SAB by ABI, valuing the stock at 4000p, assuming 18x EV/EBITDA for the core business, and a deal structured 55% debt and 45% stock.

Downside scenario

Our downside scenario (2900p) implies a further deterioration in emerging markets, particularly South Africa, Colombia and Peru. A 10% move in the rand versus the US dollar would have a 3% impact on group EPS. A sharp increase in input cost inflation would be a negative as well. We believe SAB could trade on 16x 12-month forward PE.

Upcoming catalysts

24 July – Q115 Trading update

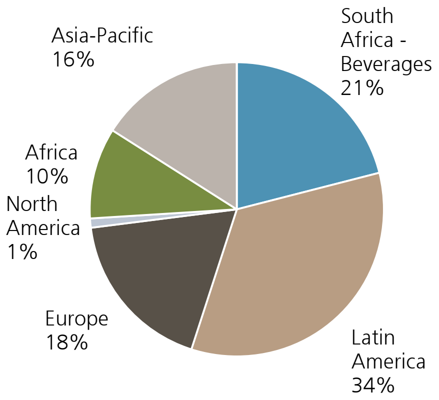
Business description

Over 90% of SABMiller's profits are derived from its beer interests, which range from a 98% market share in Colombia to several African markets, eastern Europe, China and Latin America. Nearly 76% of the profits are generated in emerging markets. SABMiller's global brands include Peroni and Grolsch, but the brands that contribute the most to profitability are typically local mainstream brands. The group's key mature market exposure is to the US, with its MillerCoors JV (SAB has 58% economic interest, Molson Coors 42%). In December 2011, SABMiller announced the acquisition of Foster's in Australia for A$11.5bn.

Industry outlook

We estimate the global beer industry can grow annual volume by c.+3% in the medium term, driven by emerging markets demand, due to population and GDP-per-capita growth. The beer industry is relatively concentrated, and we estimate that European brewers have more than two-thirds of the global profit pool, which we estimate at US$35bn. In our view, ABI and SABMiller are better positioned to capture future growth, followed by Heineken and Carlsberg.

Revenues by region 2013 (%)



Source: Company data, UBS

EBIT by product segment

	2013	2014E	2015E	2016E
Latin America	2,112	2,168	2,351	2,575
Europe	784	770	783	808
North America	771	784	837	887
Africa	838	930	1,056	1,184
Asia-Pacific	855	931	1,055	1,147
South Africa	1,263	1,151	1,192	1,269
Corporate	(202)	(206)	(214)	(225)
Group EBITA (pre-ex)	**6,421**	**6,528**	**7,060**	**7,645**

Source: Company data, UBS estimates

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SABMiller (SAB.L)

Income statement (US$m)	03/12	03/13	03/14	03/15E	% ch	03/16E	% ch	03/17E	03/18E	03/19E
Revenues	**16,838**	**17,458**	**16,704**	**17,484**	*4.7*	**18,298**	*4.7*	**19,194**	**20,170**	**21,210**
Gross profit	10,952	10,475	10,022	10,490	*4.7*	10,979	*4.7*	11,516	12,102	12,726
EBITDA (UBS)	**5,287**	**5,949**	**5,720**	**6,314**	*10.4*	**6,727**	*6.5*	**7,179**	**7,676**	**8,207**
Depreciation & amortisation	(1,313)	(1,546)	(1,281)	(1,565)	*22.2*	(1,620)	*3.5*	(1,682)	(1,751)	(1,824)
EBIT (UBS)	**3,974**	**4,403**	**4,439**	**4,749**	*7.0*	**5,107**	*7.5*	**5,497**	**5,925**	**6,382**
Associates & investment income	1,152	1,244	1,226	1,415	*15.4*	1,547	*9.3*	1,708	1,875	2,058
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(562)	(735)	(645)	(521)	*19.2*	(439)	*15.7*	(351)	(238)	(113)
Exceptionals (incl goodwill)	762	(200)	(197)	(100)	*49.2*	(50)	*50.0*	(50)	(50)	(50)
Profit before tax	**5,326**	**4,712**	**4,823**	**5,542**	*14.9*	**6,165**	*11.2*	**6,804**	**7,512**	**8,278**
Tax	(1,126)	(1,201)	(1,173)	(1,366)	*-16.4*	(1,540)	*-12.8*	(1,698)	(1,877)	(2,069)
Profit after tax	**4,200**	**3,511**	**3,650**	**4,177**	*14.4*	**4,624**	*10.7*	**5,106**	**5,635**	**6,209**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(256)	(237)	(269)	(298)	*-10.8*	(331)	*-11.2*	(369)	(411)	(457)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**3,944**	**3,274**	**3,381**	**3,879**	*14.7*	**4,293**	*10.7*	**4,737**	**5,224**	**5,752**
Net earnings (UBS)	**3,400**	**3,796**	**3,865**	**4,292**	*11.0*	**4,688**	*9.2*	**5,069**	**5,564**	**6,099**
Tax rate (%)	21.1	25.5	24.3	24.6	*1.3*	25.0	*1.4*	25.0	25.0	25.0

Per share (c)	03/12	03/13	03/14	03/15E	% ch	03/16E	% ch	03/17E	03/18E	03/19E
EPS (UBS, diluted)	212.5	236.0	239.0	265.4	*11.0*	289.9	*9.2*	313.5	344.1	377.2
EPS (local GAAP, diluted)	246.5	203.5	209.1	239.9	*14.7*	265.5	*10.7*	292.9	323.1	355.7
EPS (UBS, basic)	214.8	239.8	244.2	268.7	*10.1*	293.5	*9.2*	317.4	348.4	381.9
Net DPS (c)	91.0	101.0	105.0	110.3	*5.0*	118.0	*7.0*	127.4	138.9	151.4
Cash EPS (UBS, diluted)[1]	294.6	332.1	318.2	362.2	*13.8*	390.1	*7.7*	417.5	452.4	490.0
Book value per share	1,459.1	1,666.0	1,662.6	1,792.2	*7.8*	1,951.1	*8.9*	2,128.3	2,324.4	2,540.9
Average shares (diluted)	1,600.0	1,608.5	1,617.0	1,617.0	*0.0*	1,617.0	*0.0*	1,617.0	1,617.0	1,617.0

Balance sheet (US$m)	03/12	03/13	03/14	03/15E	% ch	03/16E	% ch	03/17E	03/18E	03/19E
Tangible fixed assets	9,299	9,059	9,065	9,554	*5.4*	9,967	*4.3*	10,337	10,746	11,200
Intangible fixed assets	30,029	29,497	27,029	26,629	*-1.5*	26,216	*-1.6*	25,785	25,343	24,889
Investments	11,581	10,985	11,390	11,969	*5.1*	12,579	*5.1*	13,226	13,913	14,641
Other assets	0	1,047	882	882	*0.0*	882	*0.0*	882	882	882
Total fixed assets	**50,909**	**50,588**	**48,366**	**49,034**	*1.4*	**49,643**	*1.2*	**50,230**	**50,884**	**51,612**
Net working capital	**(7,987)**	**(1,964)**	**(1,727)**	**(1,785)**	*-3.3*	**(1,845)**	*-3.4*	**(1,912)**	**(1,966)**	**(2,022)**
Cash	745	2,171	2,081	4,014	*92.9*	6,257	*55.9*	8,828	11,649	14,757
Short term debt	0	(2,469)	(4,519)	(4,519)	*0.0*	(4,519)	*0.0*	(4,519)	(4,519)	(4,519)
Long term debt	(18,607)	(16,079)	(12,528)	(12,528)	*0.0*	(12,528)	*0.0*	(12,528)	(12,528)	(12,528)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	**(17,862)**	**(16,377)**	**(14,966)**	**(13,033)**	*12.9*	**(10,790)**	*17.2*	**(8,219)**	**(5,398)**	**(2,290)**
Other debt-deemed liabilities	(290)	(538)	(433)	(433)	*0.0*	(433)	*0.0*	(433)	(433)	(433)
Provisions & non-debt deemed liabs	(1,098)	(4,249)	(3,758)	(3,895)	*-3.6*	(4,049)	*-4.0*	(4,218)	(4,406)	(4,613)
Total equity	**23,672**	**27,460**	**27,482**	**29,889**	*8.8*	**32,526**	*8.8*	**35,448**	**38,682**	**42,254**
Minority interests	(940)	(1,088)	(1,163)	(1,267)	*-9.0*	(1,367)	*-7.8*	(1,459)	(1,562)	(1,676)
Common s/h equity	**22,732**	**26,372**	**26,319**	**28,622**	*8.7*	**31,160**	*8.9*	**33,989**	**37,120**	**40,578**
Operating invested capital	**30,243**	**33,390**	**31,491**	**31,386**	*-0.3*	**31,171**	*-0.7*	**30,873**	**30,600**	**30,336**
Total capital employed	**41,824**	**44,375**	**42,881**	**43,355**	*1.1*	**43,749**	*0.9*	**44,099**	**44,513**	**44,977**

Cash flow (US$m)	03/12	03/13	03/14	03/15E	% ch	03/16E	% ch	03/17E	03/18E	03/19E
EBIT (UBS)	3,974	4,403	4,439	4,749	*7.0*	5,107	*7.5*	5,497	5,925	6,382
Depreciation & amortisation	1,313	1,546	1,281	1,565	*22.2*	1,620	*3.5*	1,682	1,751	1,824
Net change in working capital	116	(586)	(50)	58	-	61	*5.9*	67	53	57
Net interest	(407)	(770)	(743)	(521)	*29.9*	(439)	*15.7*	(351)	(238)	(113)
Tax paid	(893)	(683)	(1,596)	(1,229)	*23.0*	(1,386)	*-12.8*	(1,528)	(1,689)	(1,862)
Other operating	452	191	100	100	*0.0*	100	*0.0*	100	100	100
Operating cash flow	**4,555**	**4,101**	**3,431**	**4,722**	*12.2*	**5,063**	*6.4*	**5,467**	**5,902**	**6,388**
Tangible capital expenditure	(1,523)	(1,335)	(1,401)	(1,655)	*-18.1*	(1,620)	*2.1*	(1,621)	(1,719)	(1,824)
Intangible capital expenditure	0	(144)	(84)	0	-	0	-	0	0	0
Equity free cash flow	**3,032**	**2,622**	**1,946**	**3,067**	*57.6*	**3,443**	*12.3*	**3,846**	**4,183**	**4,565**
Net (acquisitions) & disposals	(10,951)	111	118	0	-	0	-	0	0	0
Equity dividends paid	(1,324)	(1,648)	(1,834)	(1,954)	*-6.6*	(2,116)	*-8.3*	(2,311)	(2,526)	(2,760)
Share issues / (buybacks)	151	85	24	0	-	0	-	0	0	0
Net other cash flows	(2,003)	234	(284)	836	-	937	*12.1*	1,060	1,188	1,330
Cash flow (inc)/dec in net debt	**(11,095)**	**1,404**	**(30)**	**1,949**	-	**2,264**	*16.2*	**2,594**	**2,846**	**3,135**
FX / non cash items	324	81	1,441	(15)	-	(21)	*-37.1*	(23)	(25)	(27)
Balance sheet (inc)/dec in net debt	**(10,771)**	**1,485**	**1,411**	**1,933**	*37.0*	**2,243**	*16.0*	**2,571**	**2,821**	**3,108**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

SABMiller (SAB.L)

Valuation (x)	03/12	03/13	03/14	03/15E	03/16E	03/17E	03/18E	03/19E
P/E (local GAAP, diluted)	14.8	21.7	23.9	23.9	21.6	19.5	17.7	16.1
P/E (UBS, diluted)	17.1	18.7	20.9	21.6	19.7	18.3	16.6	15.2
P/CEPS	12.2	13.1	15.4	15.6	14.5	13.5	12.5	11.5
Equity FCF (UBS) yield %	5.4	3.8	2.5	3.4	3.8	4.2	4.6	5.0
Net dividend yield (%)	2.5	2.3	2.1	1.9	2.1	2.2	2.4	2.6
P/BV x	2.5	2.6	3.0	3.2	2.9	2.7	2.5	2.3
EV/revenues (core)	3.0	4.2	4.9	5.1	4.7	4.3	3.9	3.5
EV/EBITDA (core)	9.6	12.4	14.4	14.2	12.8	11.5	10.2	8.9
EV/EBIT (core)	12.7	16.7	18.5	18.9	16.9	15.0	13.2	11.5
EV/OpFCF (core)	10.8	14.0	16.3	16.0	14.4	12.8	11.4	10.0
EV/op. invested capital	2.0	2.3	2.5	2.9	2.8	2.7	2.5	2.4

Enterprise value (US$m)	03/12	03/13	03/14	03/15E	03/16E	03/17E	03/18E	03/19E
Market cap.	56,652	69,660	78,997	90,591	90,591	90,591	90,591	90,591
Net debt (cash)	9,137	16,782	15,002	13,336	11,248	8,841	6,145	3,181
Buy out of minorities	2,266	5,925	8,070	8,943	9,945	11,070	12,319	13,706
Pension provisions/other	290	1,096	883	883	883	883	883	883
Total enterprise value	**68,344**	**93,462**	**102,952**	**113,754**	**112,667**	**111,386**	**109,939**	**108,362**
Non core assets	(17,733)	(19,904)	(20,842)	(24,049)	(26,296)	(29,033)	(31,869)	(34,994)
Core enterprise value	**50,611**	**73,558**	**82,110**	**89,704**	**86,371**	**82,353**	**78,070**	**73,368**

Growth (%)	03/12	03/13	03/14	03/15E	03/16E	03/17E	03/18E	03/19E
Revenue	11.2	3.7	-4.3	4.7	4.7	4.9	5.1	5.2
EBITDA (UBS)	10.3	12.5	-3.8	10.4	6.5	6.7	6.9	6.9
EBIT (UBS)	10.1	10.8	0.8	7.0	7.5	7.6	7.8	7.7
EPS (UBS, diluted)	11.8	11.0	1.3	11.0	9.2	8.1	9.8	9.6
Net DPS	12.3	11.0	4.0	5.0	7.0	8.0	9.0	9.0

Margins & Profitability (%)	03/12	03/13	03/14	03/15E	03/16E	03/17E	03/18E	03/19E
Gross profit margin	65.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
EBITDA margin	31.4	34.1	34.2	36.1	36.8	37.4	38.1	38.7
EBIT margin	23.6	25.2	26.6	27.2	27.9	28.6	29.4	30.1
Net earnings (UBS) margin	20.2	21.7	23.1	24.5	25.6	26.4	27.6	28.8
ROIC (EBIT)	15.8	13.8	13.7	15.1	16.3	17.7	19.3	20.9
ROIC post tax	10.3	9.3	9.5	10.2	10.9	11.9	12.9	14.0
ROE (UBS)	15.6	15.5	14.7	15.6	15.7	15.6	15.6	15.7

Capital structure & Coverage (x)	03/12	03/13	03/14	03/15E	03/16E	03/17E	03/18E	03/19E
Net debt / EBITDA	3.4	2.8	2.6	2.1	1.6	1.1	0.7	0.3
Net debt / total equity %	75.5	59.6	54.5	43.6	33.2	23.2	14.0	5.4
Net debt / (net debt + total equity) %	43.0	37.4	35.3	30.4	24.9	18.8	12.2	5.1
Net debt/EV	35.3	22.3	18.2	14.5	12.5	10.0	6.9	3.1
Capex / depreciation %	145.2	125.6	152.3	141.9	134.2	129.5	131.3	133.1
Capex / revenue %	9.0	7.6	8.4	9.5	8.9	8.4	8.5	8.6
EBIT / net interest	7.1	6.0	6.9	9.1	11.6	15.7	24.9	56.5
Dividend cover (UBS)	2.4	2.4	2.3	2.4	2.5	2.5	2.5	2.5
Div. payout ratio (UBS) %	42.4	42.1	43.0	41.0	40.2	40.1	39.9	39.6

Revenues by division (US$m)	03/12	03/13	03/14	03/15E	03/16E	03/17E	03/18E	03/19E
Latin America	5,315	5,802	5,745	6,049	6,422	6,818	7,241	7,691
North America	4,544	4,656	4,665	4,790	4,916	5,070	5,229	5,394
Europe	4,235	4,300	4,574	4,649	4,795	4,947	5,119	5,303
South Africa - Beverages	4,747	4,475	3,997	4,194	4,336	4,491	4,662	4,839
Asia	2,600	4,005	3,944	4,145	4,419	4,761	5,134	5,541
Africa	3,087	3,290	3,424	3,739	4,101	4,498	4,934	5,413
Others	(7,690)	(9,070)	(9,645)	(10,081)	(10,691)	(11,390)	(12,149)	(12,971)
Total	**16,838**	**17,458**	**16,704**	**17,484**	**18,298**	**19,194**	**20,170**	**21,210**

EBIT (UBS) by division (US$m)	03/12	03/13	03/14	03/15E	03/16E	03/17E	03/18E	03/19E
Latin America	1,865	2,112	2,192	2,373	2,565	2,772	2,996	3,237
South Africa	1,303	1,263	1,127	1,186	1,254	1,328	1,406	1,487
Africa	743	838	939	1,052	1,183	1,331	1,498	1,684
Asia	321	855	845	909	968	1,050	1,139	1,234
North America	756	771	797	809	858	915	974	1,036
Europe	836	784	703	717	740	769	799	830
Others	(1,850)	(2,220)	(2,164)	(2,295)	(2,463)	(2,668)	(2,886)	(3,126)
Total	**3,974**	**4,403**	**4,439**	**4,749**	**5,107**	**5,497**	**5,925**	**6,382**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Investment Thesis

Coca-Cola Hellenic

Investment case

Q3 11 will be hit by weak performance in Greece, Italy and Russia. Nigeria is also slowing down and was so far the growth driver. CCH is renewing its 3years contract for sugar supply in Europe and we expect to significant inflation on it affecting next year profitability. We see downside risk to consensus estimates and are 6.8% below for 2012FYE.

Upside scenario

CCH trades at a premium to the rest of the consumer space. If growth picks up in Europe and accelerates in EM from current levels, we estimate CCH could go sustain its current premium. CCH share price could reach £18 and it would trade on 12x EV/EBITDA in CY14E. This would assume limited input cost inflation, no concentrate price hike post 2014 and regular improvement in margins back to low double digit (pre-crisis level).

Downside scenario

If earnings momentum does not improve and margins remains under pressure, we believe CCH could de-rate and trade at parity with the consumer sector. CCH's share price could drop to £12 and it would trade on less than 9x EV/EBITDA in CY14E.

Upcoming catalysts

Q2 14 FY results: 7 August
Q3 14 FY results: 6 November

12-month rating **Neutral**

12m price target **1,500p**

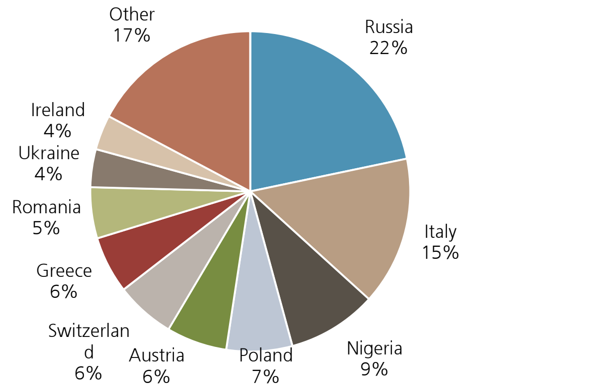
Business description

Coca-Cola Hellenic (CCH) is one of the largest bottlers of non-alcoholic beverages in Europe. CCH's product line includes carbonated (CSD) and non-carbonated (non-CSD) soft drinks, juices, teas, water and energy drinks. CCH operates in established markets (37% of sales in 2013), including Italy, Greece and Ireland. CCH has 63% sales exposure to emerging markets, essentially in eastern Europe, Russia and Nigeria. The Coca-Cola Company owns 23%, with another 23% owned by Kar-Tess Holding (Leventis family). The stock has been listed in London since 2013 and is part of the FTSE100.

Industry outlook

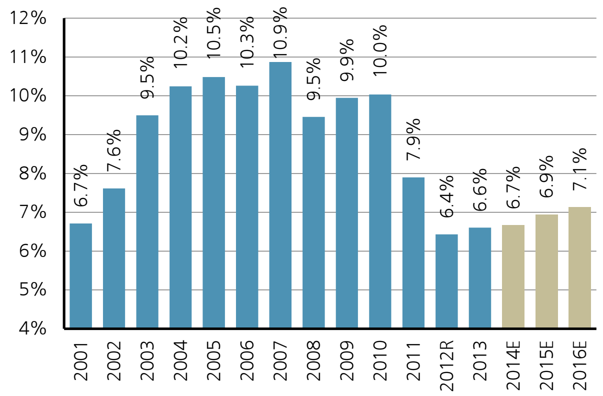
Soft drinks remain a discretionary product in Eastern Europe and Nigeria and should benefit fully from GDP growth and to some extent shift from beer in countries, such as Russia. Soft drinks consumption is very low in these geographies compared to Western Europe. After a period of high input cost volatility, sugar, PET and aluminium prices are coming down which is a positive for the industry as margins have been under-pressure over the last few years.

Revenues by region (%)



Source: Company data

EBIT Margin (%)



Source: Company data

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Coca-Cola Hellenic Bottling Company S.A (CCH.L)

Income statement (€m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	**6,854**	**7,045**	**6,874**	**6,711**	*-2.4*	**6,854**	*2.1*	**7,029**	**7,212**	**7,404**
Gross profit	2,596	2,523	2,436	2,382	*-2.2*	2,454	*3.0*	2,538	2,618	2,702
EBITDA (UBS)	**930**	**839**	**823**	**816**	*-0.7*	**860**	*5.3*	**902**	**950**	**993**
Depreciation & amortisation	(389)	(386)	(369)	(369)	*0.1*	(384)	*4.0*	(401)	(418)	(429)
EBIT (UBS)	**541**	**453**	**454**	**447**	*-1.4*	**476**	*6.4*	**501**	**532**	**563**
Associates & investment income	1	12	12	12	*0.8*	13	*4.2*	13	14	14
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(94)	(91)	(91)	(59)	*35.7*	(49)	*16.5*	(40)	(33)	(25)
Exceptionals (incl goodwill)	(73)	(115)	(80)	(25)	*68.8*	(10)	*60.0*	0	0	0
Profit before tax	**376**	**259**	**294**	**376**	*27.7*	**429**	*14.3*	**474**	**512**	**552**
Tax	(103)	(65)	(73)	(93)	*-27.9*	(102)	*-9.8*	(111)	(120)	(129)
Profit after tax	**273**	**193**	**221**	**282**	*27.6*	**327**	*15.8*	**364**	**392**	**423**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(4)	(3)	0	0	-	0	-	0	(1)	(1)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**269**	**190**	**221**	**282**	*27.6*	**327**	*15.8*	**363**	**392**	**422**
Net earnings (UBS)	**342**	**306**	**301**	**307**	*2.0*	**337**	*9.6*	**363**	**392**	**422**
Tax rate (%)	27.4	25.2	24.8	24.8	*0.2*	23.9	*-3.9*	23.3	23.4	23.4

Per share (€)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	0.94	0.84	0.83	0.84	*2.0*	0.93	*9.6*	1.00	1.08	1.16
EPS (local GAAP, diluted)	0.74	0.52	0.61	0.78	*27.6*	0.90	*15.8*	1.00	1.08	1.16
EPS (UBS, basic)	0.94	0.84	0.83	0.85	*2.0*	0.93	*9.6*	1.00	1.08	1.16
Net DPS (€)	0.50	0.34	0.35	0.36	*1.3*	0.38	*5.8*	0.40	0.43	0.46
Cash EPS (UBS, diluted)[1]	2.01	1.90	1.84	1.86	*0.9*	1.98	*6.5*	2.10	2.23	2.34
Book value per share	7.97	8.23	8.25	8.56	*3.8*	9.08	*6.0*	9.67	10.32	11.01
Average shares (diluted)	363.21	364.47	364.05	364.05	*0.0*	364.05	*0.0*	364.05	364.05	364.05

Balance sheet (€m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Tangible fixed assets	3,052	3,041	2,902	2,932	*1.1*	2,957	*0.8*	2,975	2,986	2,998
Intangible fixed assets	1,948	1,945	1,921	1,921	*0.0*	1,921	*0.0*	1,921	1,921	1,921
Investments	208	293	300	300	*0.0*	300	*0.0*	300	300	300
Other assets	0	0	0	0	-	0	-	0	0	0
Total fixed assets	**5,207**	**5,279**	**5,123**	**5,154**	*0.6*	**5,178**	*0.5*	**5,196**	**5,207**	**5,219**
Net working capital	**(26)**	**(68)**	**(169)**	**(267)**	*-58.4*	**(279)**	*-4.5*	**(279)**	**(278)**	**(278)**
Cash	476	439	738	899	*21.9*	1,055	*17.3*	1,233	1,436	1,657
Short term debt	(321)	(623)	(446)	(426)	*4.5*	(406)	*4.7*	(386)	(366)	(346)
Long term debt	(1,934)	(1,605)	(1,854)	(1,854)	*0.0*	(1,854)	*0.0*	(1,854)	(1,854)	(1,854)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	**(1,780)**	**(1,788)**	**(1,562)**	**(1,380)**	*11.6*	**(1,205)**	*12.7*	**(1,007)**	**(784)**	**(543)**
Other debt-deemed liabilities	0	0	0	0	-	0	-	0	0	0
Provisions & non-debt deemed liabs	(488)	(417)	(388)	(388)	*0.0*	(388)	*0.0*	(388)	(388)	(388)
Total equity	**2,913**	**3,007**	**3,004**	**3,118**	*3.8*	**3,306**	*6.0*	**3,523**	**3,758**	**4,011**
Minority interests	(19)	(18)	(5)	(5)	*0.0*	(5)	*0.0*	(6)	(6)	(7)
Common s/h equity	**2,894**	**2,989**	**2,999**	**3,113**	*3.8*	**3,300**	*6.0*	**3,517**	**3,751**	**4,004**
Operating invested capital	**4,485**	**4,502**	**4,267**	**4,198**	*-1.6*	**4,211**	*0.3*	**4,230**	**4,242**	**4,254**
Total capital employed	**4,693**	**4,795**	**4,566**	**4,498**	*-1.5*	**4,511**	*0.3*	**4,529**	**4,541**	**4,554**

Cash flow (€m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EBIT (UBS)	541	453	454	447	*-1.4*	476	*6.4*	501	532	563
Depreciation & amortisation	389	386	369	369	*0.1*	384	*4.0*	401	418	429
Net change in working capital	56	84	99	62	*-37.4*	12	*-80.6*	(1)	(1)	0
Net interest	(94)	(91)	(91)	(59)	*35.7*	(49)	*16.5*	(40)	(33)	(25)
Tax paid	(90)	(95)	(56)	(93)	*-66.2*	(102)	*-9.8*	(111)	(120)	(129)
Other operating	133	111	68	127	*88.2*	142	*11.4*	151	153	154
Operating cash flow	**935**	**849**	**841**	**853**	*-5.2*	**862**	*-0.7*	**901**	**949**	**992**
Tangible capital expenditure	(371)	(395)	(380)	(403)	*-5.9*	(411)	*-2.1*	(422)	(433)	(444)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Equity free cash flow	**565**	**453**	**461**	**451**	*-2.2*	**451**	*0.0*	**480**	**517**	**548**
Net (acquisitions) & disposals	11	5	25	3	*-87.8*	3	*0.0*	3	3	3
Equity dividends paid	(6)	(1)	(128)	(131)	*-1.9*	(138)	*-5.8*	(145)	(157)	(169)
Share issues / (buybacks)	(183)	(123)	14	0	-	0	-	0	0	0
Net other cash flows	(199)	(123)	(82)	(44)	*46.8*	(34)	*23.3*	(24)	(16)	(8)
Cash flow (inc)/dec in net debt	**187**	**211**	**289**	**279**	*-3.3*	**282**	*1.0*	**313**	**346**	**374**
FX / non cash items	(101)	(220)	(62)	(97)	*-55.9*	(106)	*-9.4*	(115)	(124)	(133)
Balance sheet (inc)/dec in net debt	**86**	**(8)**	**226**	**182**	*-19.6*	**175**	*-3.6*	**199**	**223**	**241**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Coca-Cola Hellenic Bottling Company S.A (CCH.L)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	22.6	28.3	33.2	22.0	19.0	17.1	15.9	14.7
P/E (UBS, diluted)	17.7	17.6	24.4	20.2	18.5	17.1	15.9	14.7
P/CEPS	8.3	7.8	11.0	9.2	8.6	8.1	7.7	7.3
Equity FCF (UBS) yield %	9.0	8.5	6.1	7.3	7.3	7.7	8.3	8.8
Net dividend yield (%)	3.0	2.3	1.8	2.1	2.2	2.3	2.5	2.7
P/BV x	2.1	1.8	2.4	2.0	1.9	1.8	1.7	1.6
EV/revenues (core)	1.2	1.0	1.3	1.1	1.1	1.0	0.9	0.9
EV/EBITDA (core)	8.7	8.3	10.8	9.1	8.4	7.8	7.2	6.6
EV/EBIT (core)	14.9	15.4	19.6	16.6	15.2	14.1	12.8	11.7
EV/OpFCF (core)	13.7	14.4	18.1	16.7	15.9	14.7	13.2	12.0
EV/op. invested capital	1.7	1.6	2.0	1.8	1.7	1.7	1.6	1.6

Enterprise value (€m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	6,299	5,361	7,513	6,210	6,210	6,210	6,210	6,210
Net debt (cash)	1,780	1,788	1,562	1,380	1,205	1,007	784	543
Buy out of minorities	19	18	5	5	5	6	6	7
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**8,098**	**7,167**	**9,080**	**7,595**	**7,420**	**7,222**	**7,000**	**6,759**
Non core assets	(41)	(168)	(175)	(175)	(175)	(175)	(175)	(175)
Core enterprise value	**8,057**	**6,998**	**8,905**	**7,420**	**7,245**	**7,047**	**6,825**	**6,584**

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	0.9	2.8	-2.4	-2.4	2.1	2.6	2.6	2.7
EBITDA (UBS)	-14.1	-9.8	-1.9	-0.7	5.3	4.9	5.3	4.5
EBIT (UBS)	-20.6	-16.3	0.2	-1.4	6.4	5.3	6.1	6.0
EPS (UBS, diluted)	-24.0	-10.8	-1.3	2.0	9.6	7.7	8.0	7.8
Net DPS	-	-32.0	4.2	1.3	5.8	5.1	8.0	7.8

Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	37.9	35.8	35.4	35.5	35.8	36.1	36.3	36.5
EBITDA margin	13.6	11.9	12.0	12.2	12.5	12.8	13.2	13.4
EBIT margin	7.9	6.4	6.6	6.7	6.9	7.1	7.4	7.6
Net earnings (UBS) margin	5.0	4.3	4.4	4.6	4.9	5.2	5.4	5.7
ROIC (EBIT)	11.6	10.1	10.4	10.6	11.3	11.9	12.6	13.3
ROIC post tax	8.9	8.3	8.3	8.0	8.6	9.0	9.5	10.1
ROE (UBS)	11.6	10.4	10.1	10.1	10.5	10.6	10.8	10.9

Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	1.9	2.1	1.9	1.7	1.4	1.1	0.8	0.5
Net debt / total equity %	61.1	59.5	52.0	44.3	36.5	28.6	20.9	13.5
Net debt / (net debt + total equity) %	37.9	37.3	34.2	30.7	26.7	22.2	17.3	11.9
Net debt/EV	22.1	25.6	17.5	18.6	16.6	14.3	11.5	8.2
Capex / depreciation %	95.3	102.5	103.1	109.1	107.1	105.3	103.4	103.4
Capex / revenue %	5.4	5.6	5.5	6.0	6.0	6.0	6.0	6.0
EBIT / net interest	5.8	5.0	5.0	7.6	9.7	12.5	16.1	22.4
Dividend cover (UBS)	1.9	2.5	2.3	2.4	2.4	2.5	2.5	2.5
Div. payout ratio (UBS) %	53.1	40.5	42.7	42.4	40.9	39.9	39.9	39.9

Revenues by division (€m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Emerging	2,886	3,195	3,229	3,107	3,229	3,365	3,508	3,658
Established	2,807	2,702	2,540	2,501	2,509	2,536	2,563	2,591
Developing	1,162	1,148	1,106	1,103	1,115	1,128	1,141	1,155
Others	0	0	0	0	0	0	0	0
Total	**6,854**	**7,045**	**6,874**	**6,711**	**6,854**	**7,029**	**7,212**	**7,404**

EBIT (UBS) by division (€m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Emerging	209	266	263	250	259	277	295	315
Established	256	160	150	150	160	164	171	178
Developing	76	27	42	48	56	60	65	70
Others	0	0	0	0	0	0	0	0
Total	**541**	**453**	**454**	**447**	**476**	**501**	**532**	**563**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Statement of Risk

Risks to our price target for the global beverage companies include any material changes in:
(a) General consumer preferences and/or government regulation pertaining to the consumption of Beverage products (including taxation, restrictions on sales, the introduction or subsidization of substitute products, etc.);
(b) Government regulation with respect to commerce and/or taxation in general;
(c) Macroeconomic trends, interest rate, and/or credit environments within any of our companies' key markets;
(d) Competitive intensity between Beverage companies within any of our companies' key markets;
(e) Customer (i.e.ie, retailer/bottler) or supplier relationships as related to our coverage companies;
(f) Commodity cost and/or foreign exchange fluctuations;
(g) Weather, as related to Beverage consumption;
(h) Our companies' own ability to execute, whether with respect to R&D, sales and marketing, and/or ongoing productivity efforts;
(i) Our companies' stance towards M&A (whether related to acquisitions, JVs, divestments, or otherwise), or the prioritization of cash in general (whether related to organic business investment, dividends, share repurchases, etc.).

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UBS 12-Month Rating	**Definition**	**Coverage**[1]	**IB Services**[2]
Buy	FSR is > 6% above the MRA.	47%	33%
Neutral	FSR is between -6% and 6% of the MRA.	42%	34%
Sell	FSR is > 6% below the MRA.	11%	23%
UBS Short-Term Rating	**Definition**	**Coverage**[3]	**IB Services**[4]
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2014.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Arca Continental SAB de CV[5b, 16a]	AC.MX	Buy	N/A	P88.91	24 Jun 2014
Coca Cola Icecek	CCOLA.IS	Neutral	N/A	TRY53.00	24 Jun 2014
Coca-Cola[4, 6a, 6b, 6c, 7, 16b]	KO.N	Neutral	N/A	US$41.85	24 Jun 2014
Coca-Cola Amatil Limited[4, 5a, 18]	CCL.AX	Neutral	N/A	A$9.14	24 Jun 2014
Coca-Cola Enterprises[16b]	CCE.N	Neutral	N/A	US$47.09	24 Jun 2014
Coca-Cola FEMSA[16a, 16b]	KOFL.MX	Buy	N/A	P144.76	24 Jun 2014
Coca-Cola Hellenic Bottling Company S.A[5b, 16b]	CCH.L	Neutral	N/A	1,368p	24 Jun 2014
SABMiller	SAB.L	Neutral	N/A	3,370p	24 Jun 2014

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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