

25-Jul-2018

The Coca-Cola Co. (KO)

Q2 2018 Earnings Call

CORPORATE PARTICIPANTS

Timothy K. Leveridge

Vice President & Investor Relations Officer, The Coca-Cola Co.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

OTHER PARTICIPANTS

Lauren R. Lieberman

Analyst, Barclays Capital, Inc.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Ali Dibadj

Analyst, Sanford C. Bernstein & Co. LLC

Nik Modi

Analyst, RBC Capital Markets LLC

Bryan D. Spillane

Analyst, Bank of America Merrill Lynch

Judy Hong

Analyst, Goldman Sachs & Co. LLC

Bonnie L. Herzog

Analyst, Wells Fargo Securities LLC

William B. Chappell

Analyst, SunTrust Robinson Humphrey, Inc.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Andrea F. Teixeira

Analyst, JPMorgan Securities LLC

Aatish Shah

Analyst, Susquehanna Financial Group LLLP

Caroline Levy

Analyst, Macquarie Capital (USA), Inc.

Vivien Azer

Analyst, Cowen & Co. LLC

Kevin Grundy

Analyst, Jefferies LLC

Robert Ottenstein

Analyst, Evercore ISI

MANAGEMENT DISCUSSION SECTION

Operator: At this time, I'd like to welcome everyone to The Coca-Cola Company's second quarter earnings results conference call. Today's call is being recorded. If you have any objections, please disconnect at this time. All participants will be on listen-only mode until the formal question-and-answer portion of the call. I would like to remind everyone that the purpose of this conference is to talk with investors, and therefore, questions from the media will not be addressed. Media participants should contact Coca-Cola's Media Relations department if they have any questions.

I would now like to introduce Mr. Tim Leveridge, Vice President and Investor Relations Officer. Mr. Leveridge, you may now begin.

Timothy K. Leveridge

Vice President & Investor Relations Officer, The Coca-Cola Co.

Good morning and thank you for joining us today. I'm here with James Quincey, our Chief Executive Officer; and Kathy Waller, our Chief Financial Officer.

Before we begin, I'd like to remind you that this conference call may contain forward-looking statements, including statements concerning long-term earnings objectives and should be considered in conjunction with cautionary statements contained in our earnings release and in the company's most recent periodic SEC report.

We posted schedules under the Financial Reports & Information tab in the Investors section of our company website. These schedules reconcile certain non-GAAP financial measures, which may be referred to from time-to-time by our senior executives during this morning's discussion to our results as reported under generally accepted accounting principles. Finally, during today's call, when our senior executives refer to comparable performance, they are referring to comparable performance from continuing operations.

Following prepared remarks this morning, we will turn the call over for your questions. Please limit yourself to one question. If you have more than one question, please ask your most pressing first and then return and reenter the queue.

Now, let me turn the call over to James.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Thanks, Tim. Good morning, everyone. Let me start by saying and underlining that we're winning in a dynamic and vibrant industry. The global beverage industry is growing faster than last year, driven by better results in the emerging and developing markets and also the sparkling soft drink category. We're gaining value share as we execute on the strategies we laid out for you in early 2017. And importantly, our operating performance is accelerating as a result.

So 2018, at the halfway mark of the year, we're seeing good momentum in our underlying business. Organic revenue is up 5% year-to-date, driven by a good mixture of volume and price/mix. Global volume is up 3%, which is the strongest we've seen in five years. And comparable EPS is up 5% year-to-date, despite stronger currency

headwinds than we anticipated at the beginning of 2018. And, as we noted at the start of the year, we've always expected EPS growth to be back half-weighted and that has not changed.

So operationally, looking around the world, we delivered strong top line growth in the first half of the year, driven by continued strength in our international markets. In Asia-Pacific, strong performance in key emerging markets like China, India, and Vietnam drove mid-single-digit organic revenue growth for this segment during the first half of the year. And while we continue to expand our total beverage portfolio across all of our Asian markets, our sparkling soft drink portfolio led our top line acceleration.

Turning to Latin America, even in the face of headwinds, we delivered high single-digit organic revenue growth for the first half as we focus on the fundamentals. Mexico continues to perform well, driven by solid growth across our sparkling and dairy portfolios. In Brazil, a 10-day transport strike in late May put a virtual halt to the economy. Prior to that, we were on track to deliver the third quarter of sequentially improving volume growth. Our system worked hard to recover momentum. And by the end of the quarter, we had bounced back to pre-strike growth rates.

In EMEA, we grew organic revenue 7% year to date through balanced volume and price/mix. We see solid momentum in the emerging and developing markets, with notable strength in Central Europe and Turkey. And in the developed markets, we continue to expand our total beverage portfolio through additions like Fuze Tea, Honest Coffee, and AdeZ plant-based beverages across Europe.

In North America, we're delivering strong performance in the marketplace year to date. According to Nielsen, our U.S. retail sales are up 3% in the second quarter, driven by both volume and pricing. We are pleased with the performance of our innovation and brand-building initiatives. Our no-sugar sparkling soft drink portfolio delivered 7% retail value growth in the quarter, thanks to the recently restaged Diet Coke and strong growth of Coke Zero Sugar.

Our hydration and coffee portfolios drove strong results as well. POWERADE ZERO, DASANI Sparkling, and our coffee portfolio each grew volume double digits. These efforts combined with the improving execution from our bottling partners have enabled our system to continue capturing strong value share gains.

Now, let me turn to the pricing environment in North America. Stepping back, the overall market remains disciplined, and we remain focused on executing revenue growth management initiatives to grow our price/mix over time. However, as you can see, reported price/mix in North America continued to differ from market-level performance.

This was principally due to three factors. First, freight costs remain a challenge, were slightly worse than our initial forecast. And as we noted in the first quarter call, outbound freight costs are reported in price/mix for 2018. Secondly, the timing of deductions, which net out in the year, between the second quarter and the third quarter put a point of pressure on price/mix. Lastly, business mix put two points of pressure on reported price/mix, as our concentrates sparkling business grew faster than our finished goods business, particularly the juice and tea.

Combined, these factors put approximately four points of pressure on the reported price/mix, driving the vast majority of the difference you see versus the growth in scanner data. We're taking pricing actions alongside our bottlers on our sparkling beverage brands and expect to see positive price/mix in the second half across the portfolio in aggregate, as our package downsizing and our marketplace pricing actions are fully implemented and the timing items reverse. These factors, along with the continued execution of our strategy, will result in stronger financial performance in North America in the back half.

So to summarize, our emerging and developing markets are accelerating, with double-digit organic revenue growth year to date. And our developed markets are performing well, delivering low single-digit organic revenue growth.

Now, turning and talking a little bit about how we're driving disciplined sustainable growth in the business, obviously, first, it requires a solid understanding of the consumer to build the right portfolio in each market. Over the last few calls, we've discussed how we're expanding our portfolio through innovations, acquisitions, and lifting, shifting, and sustaining successful brands across markets. But disciplined growth also requires that our existing brands retain and sharpen their edge by connecting better with consumers' needs. We're working diligently to increase our capabilities in this area because satisfying key consumption occasions allows us to attract new drinkers and ultimately achieve quality leadership.

One example of this is Georgia Coffee in Japan. Georgia has historically had a strong male consumer base in Japan. So we recently launched a new variant called Craftsman with recipes, flavors, and packaging designed to appeal more to the new consumer segments, in particular younger adults and women.

Craftsman's drinks come in premium, glass-like PET bottles that are resealable, making them portable and easier to consume. This is a change from the traditional cans, opening up new consumption occasions that were previously untapped. We're off to a good start, with our coffee portfolio in Japan reversing recent trends and growing volume mid-single digits.

This kind of discipline of taking a very tailored approach to consumption occasions and channels is also one of the ways we're attracting new sparkling drinkers. For our flagship brand Coca-Cola, we're leveraging the brand's edge, which is centered around uplift and energize, to build consumption rituals through consumers with strategic innovation.

An example, Coca-Cola with coffee, this product started as a trial in Australia. Other markets are now introducing it, but with twists based on the learning. In Vietnam, for example, the brewed coffee category is very large, so we introduced Coke Plus Coffee there with great coffee cues like aroma, with less sugar, positioning it as an alternative pick-me-up for the traditional coffee drinker. Execution was targeted and deliberate, focusing on specific occasions and channels, like the mid-afternoon pick-me-up, in coffee shops and at work. And the early results are very promising, delivering incremental growth for the Coca-Cola brand with very little cannibalization.

While this is just one specific example, it is indicative of the broader strategic approach we are taking to reinvigorate the sparking category. It's about leveraging brand edge and innovation to build consumption rituals by offering people what they want, when and where they want it.

Actions like this around the world have helped us accelerate the performance of Coke trademark, with global volume up 2% year-to-date. Of course, driving disciplined growth is not just about expanding our beverage portfolio. It's about shaping quality leadership for sustainable revenue profit and cash flow growth. Therefore, it is critical that we reduce complexity to ensure our system sales force is focused, our supply chain is efficient and our innovation pipeline gains more space and visibility at the point of sale.

To that end, we've been identifying and killing zombie brands and SKUs while focusing our teams on the work that matters most. Many of you have asked what we mean by zombie brands and where the opportunities are. So let me try and give a few examples.

Earlier this year, our Middle East and North Africa business unit identified more than 125 underperforming SKUs to eliminate. To-date, we've discontinued 60% of those and intend to delist the rest by the end of the year, allowing us to reallocate resources to brands and strategic initiatives that are delivering the highest return.

Given the benefits we're seeing, of course, we're embedding the elimination of zombie SKUs and brands even further into existing routines, instilling this discipline deeper into our business units. This taking a more disciplined approach to our portfolio is only one of the ways we're looking to reduce complexity in the business.

We're also constantly focusing our teams on the work that matters most, driving a productivity mindset in the business with the aim of both funding reinvestment and driving cash flow improvements. For example, after a recent review, we've significantly reduced the number of strategic projects in one of our largest business units to ensure that we are sufficiently allocating resources to the highest return on investment projects, rather than targeting too many actions at once. This is building on the previous productivity actions we've laid out and helping us to drive strong 8% underlying operating income growth for the first half of the year, while continuing to reinvest behind our brands, because ultimately it's not just about growth for the sake of growing. Growth must translate into solid returns for our investors.

So taking a step back and looking at the remainder of the year, global economic growth remains robust. Now, of course, there is some level of uncertainty from geopolitical risk and escalating trade conflicts, but our industry remains vibrant and growing. And we are winning and we have momentum in the business. At the same time, the U.S. dollar has strengthened significantly since the beginning of the year, increasing our currency headwinds in the back half. So all-in-all, with increasingly currency headwinds partially offset by momentum in the business, we remain focused on delivering the earnings guidance we laid out at the beginning of the year.

Let me now turn the call over to Kathy.

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

Thanks and good morning, everyone.

As James mentioned, we saw strong underlying growth in the quarter. We delivered 5% organic revenue growth through balanced growth in our volume and price/mix, giving us confidence in our top-line acceleration. The solid organic revenue growth, combined with our ongoing productivity measures, drove 8% underlying operating income growth in the quarter. While the underlying results are strong, as you know, our reported financials continue to be affected by accounting changes enacted at the beginning of this year and from cycling bottler refranchising activity last year.

Our comparable operating margin increased more than 300 basis points due to refranchising and strong underlying performance, partially offset by an almost 200 basis point impact of the new accounting standards and currency. Productivity helped to drive the underlying operating margin expansion, with actions across all of our operating segments. However, we saw a particular benefit in our corporate segment due to the Lean Center initiative we began during the second quarter of last year. The accounting impact from the change in revenue recognition was in line with our expectations.

It's important to note that the impact varied significantly by operating segment. For example, the impact to operating margins was the most extreme for North America, resulting in over 200 basis points of compression in that segment's margin. Below the line, performance was as we expected, allowing us to deliver comparable EPS growth of \$0.61, up 3% in the quarter.

So as I turn to the remainder of the year, considering our strong performance in the first half of the year and for reasons James spoke to, we are taking up our guidance on organic revenue and underlying operating income growth. Specifically, we now expect organic revenue growth of at least 4% and underlying operating income growth of at least 9%. At the same time, the expected currency headwinds to full year operating income is now expected to be 4%, an increase of three to four points since the beginning of the year. And, as James mentioned, we remain focused on delivering full year comparable EPS growth within our previously-provided range of 8% to 10%.

Turning to cash flow, we now expect to generate cash from operations of approximately \$8 billion. This is down from our initial outlook of at least \$8.5 billion, largely driven by higher than anticipated tax payment related to an amendment of the prior year's tax return and stronger currency headwinds.

And we remain disciplined in our capital allocation. We now expect to reinvest \$1.7 billion in the business through capital expenditures. And we will return our free cash flow to shareowners through dividends of approximately \$6.7 billion and an expected \$1 billion in net share repurchases.

Finally, we are on track to pay down approximately \$7 billion in gross debt, as previously discussed. So as you model the flow of the year, there are a few items to consider in terms of savings. We expect currency headwinds to negatively impact both net revenue and operating income in the second half of the year.

We expect the change in revenue recognition to benefit operating income in the third quarter, which is a reversal of the headwind we recognized in the second quarter. And we expect structural impacts to moderate as we move through the remainder of the year.

Finally, we expect our comparable EPS growth to be higher in the fourth quarter than in the third quarter, due to an additional day in the fourth quarter and cycling the impact from last year's natural disaster. As always, our Investor Relations team will be happy to walk through each element in more detail as you build out your models for the year.

So in summary, we delivered solid financial performance year-to-date and we remain focused on delivering full year comparable EPS growth within our previously-provided range of 8% to 10%.

Operator, we are now ready for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Lauren Lieberman with Barclays. Your line is now open.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Great, thank you. Good morning.

James Quincey
President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Good morning, Lauren.

Kathy N. Waller
Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Good morning, Lauren.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

I was hoping we could talk a little bit about the sports drink category because you called out POWERADE as particularly strong in the U.S. this quarter. We can see in the Nielsen, it's been gaining share. And I remember it being called out, the business in Mexico, in particular, as being called out as a case study at the Analyst Day. So I was just hoping you could talk a little bit about POWERADE's position maybe like in the rest of the markets outside the U.S., the big ones that matter, kind of market share growth trends, relative importance of the category, because it does seem that it perhaps has greater legs maybe than people tend to think. Thanks.

James Quincey
President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Sure. Yeah, I mean, as you say, firstly, we've had a very successful run with POWERADE in Mexico. We told the story about that on the Investor Day and I think it's a great example of where you can bring innovation and long-term patience to going from challenger to leader.

Clearly inspired by some of those learnings, we've been looking at that in the U. S. We've done particularly well with POWERADE ZERO as well in the quarter. We made some progress. We got a lot of opportunity ahead of us. It's a very big category in the U.S. I think whilst we're happy that we're going in the right direction, there's much work to be done.

And obviously, one of the things that's been helping drive POWERADE in the U.S. and, indeed, globally, in the second quarter was, of course, its link and the activation related to the FIFA World Cup event, where it's one of the brands that's both advertised and present, and so we did a lot of marketing programs on that. So I think part of what you're seeing is the payoff of the marketing programs and the linkage into football.

As you look at the rest of the world, POWERADE is [ph] charactering (19:33) relatively well. The sports drink category is much bigger in the Americas than it is in the rest of the world. You tend to see more everyday hydration. We have brands like Aquarius, which is big in a number of parts of Europe and does well in Japan. So

the rest of the world is not as big in sports drinks as the Americas is. But we had a good quarter. Good execution, good innovation, good link to marketing, but there's a lot more opportunity for us.

Operator: Thank you. And our next question comes from Steve Powers with Deutsche Bank. Your line is now open.

Steve Powers

Analyst, Deutsche Bank Securities, Inc.

Q

Great, thanks. So, there are, obviously, a lot of moving parts in the business with all the structural items, the accounting changes and FX. But the reported gross margin this quarter was just a little light, at least of external projections. So I was wondering if you could just get underneath all the changes and talk about how the underlying gross margin might be trending. It looks to me like maybe they're down modestly year-over-year, which would be consistent with the business mix away from CSDs and towards stills. But then again, sparkling has been kind of trending in line with the total company growth, if not a little bit ahead, year-to-date. So I'm not sure that's the full explanation. So maybe you could just talk about where gross margins have landed year-to-date versus your own internal expectations and how do you expect them to evolve from here? Thank you.

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Hi, Steve. So, underlying comparable gross margins expanded about 90 basis points. That really is driven by structural. So 300 basis points is due to structural and then that's offset by some currency and about 200 basis points from the accounting changes, as you said, a lot of moving parts in the quarter.

Underlying is under pressure and it's basically it's still moderate pressure, but it's under pressure due to – we said as we're expanding into other categories and you said yourself as we go into more finished goods businesses, that we were going to have margin pressure. So it is basically within our expectations, because we always said we were going to offset that through our operating margin.

So, yes, there is margin compression, but it's very moderate, as we said, as we talked about at Investor Day. And it is within our expectations and we are managing it.

Operator: Thank you. And our next question comes from Ali Dibadj with Bernstein. Your line is now open.

Ali Dibadj

Analyst, Sanford C. Bernstein & Co. LLC

Q

Hey, guys. So I had two questions. One is just a follow-up on the previous question on the 300 basis points of comparable operating margin expansion. Can you quantify how much of that was actually productivity in this versus structural change?

And then the other question I had, which is not a follow-up, is digging a little bit deeper into North America tea and juice. Clearly, you downsized there metro volumes down, but it didn't really seem to show any price/mix pickup. And maybe downsizing was just commodities and it was a smaller deal, but if you contrast that to when you were chaining the pack architecture in a bigger way or downsizing in sparkling, the price/mix elasticity was much better. You got more transactions, so the volume wasn't down as much.

So I want to understand a little bit more the strategy around downsizing. Is it purely commodities, or is there something from a pack architecture in juices and teas? And then also looking forward for that, will that continue to be a drag for the next several quarters in North America? Thanks for those two.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Okay. Let me focus in on the North American tea, juices, et cetera, et cetera, because that of course links to the price/mix. It's probably a slightly longer answer than just tea and juice because it ladders up into the overall price/mix question. And of course, here, there's a temptation to just look at the trees and miss the forest. But I'll try and come from the detail up to the strategic answer.

So what's happened in tea and juice, particularly juice, there's clearly some cost pressure. The cost of orange juice inputs, the cost of the packaging we use for our juice business, in particular our chilled juice business, had a lot of cost pressure. So we took, I think, the right strategic decision to try and contain the absolute level of price points in the store by downsizing some of the packages, which we did essentially at the beginning of Q2. What did that cause? It caused us to go down in volume obviously, but we actually got positive pricing in orange juice. If you go to the Nielsen numbers, you can see that pricing in orange juice is up.

And so I think what you see is volumes are down, prices are up. Competitors and the retailers, on balance, didn't follow us overnight. They probably followed us closer at the beginning of the third quarter, so that's starting to come through. So we had probably a larger volume impact, which is unfortunate, but traditional for the price leader. And so that's the story in juice. I think the juice thing will start to improve as we get into the back half. We'll do better competitively. And I think the consumer environment will adjust to the new packaging and the new price points.

Now, what's interesting as you do modeling is it's really important to remember that in our numbers, we are combining the finished product business of chilled juice with the concentrate business of sparkling. Why is that important? The finished product business has a much higher revenue per unit than the sparkling concentrate business does. So in fact, what is actually happening in North America is we have positive pricing on juice. Our pricing is up, not just the market pricing. Our pricing is up on sparkling as well as the market pricing. Then you're going to ask the question, how can the overall be down. It's because juice is declining, there's a mathematical effect where the weighting of the juice decline counts for more – the loss of the juice volume counts for more than the fact both are going up.

So you can actually have an averaging problem, whereby both categories' pricings are going up, but the average is going down, which is the 2% headwind that we talked about coming from category mix. That will normalize itself out as juice does better into the year. And obviously, it's not really an operating income problem because you're mixing apples and pears with the finished product business and the sparkling business.

That's why as you start to look through what's happening in Q2 in North America, it can be distracting to look at all these negatives. But when you layer it up to what's really going on, we're doing the right strategic actions in each category. We're downsizing the juice category. We're focusing on low and no-sugar in the sparkling. We're focusing on smaller pack sizes, all of these allowing us, with the exception of juice in the short term, to get some volume growth, definitely get some transaction growth, getting price/mix in each category. That will layer up over time to generate value for the customers and to realize pricing in the marketplace. And so as these temporary factors play out, you'll start to see the North America business go positive in the second half.

It's all about our long-term strategy of engaging with more consumers with smaller packages, more frequency, more frequently to drive value with our customers to have a better, more valuable consumer franchise. We've been executing that with our bottlers over the last few years. We've been winning in the marketplace. We're winning in the marketplace so far this year, and our strategy is on track. And therefore, I think it's important to look at those North American effects and to see them for what they are, and they are not a deviation. They're temporal and we'll be back on track with our strategy in the second half.

Operator: Thank you. And our next question comes from Nik Modi with RBC Capital Markets. Your line is now open.

Nik Modi

Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Good morning.

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Good morning, Nik.

Nik Modi

Analyst, RBC Capital Markets LLC

Q

The question is on Diet Coke. Given the importance of the brand, maybe you can just give us some metrics. I mean really trying to understand the sustainability of what is happening right now. Is this just distribution pipeline fill, or are you really seeing consumer metrics, new consumers coming into the category or into the brand, et cetera, et cetera? Thank you.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Sure. Clearly, we're doing better with Diet Coke the second quarter than the first quarter, the first half of this year than we've been doing for good number of years. And I think we were flat in the first quarter. We were minus 1% in the second quarter on volume. Clearly, Diet Coke was growing in terms of revenue second quarter and year to date, so it's materially better than we were doing before.

What's it doing? Firstly, we've got packaging innovation. We've got the marketing innovation. We've got some flavor innovation. These are both allowing existing consumers to stay and continue to enjoy the franchise, and it's getting people to try it. It's not growing in aggregate yet, so there's still work to do. But it's certainly causing a reconsideration of the Diet Coke brand, and the flavors and the packaging and the marketing are part of that.

I think as you ladder that up to the overall strategic answer, the interesting thing is that the success and the turnaround of Diet Coke or at least the work in progress of a turnaround of Diet Coke is not coming at the expense of Coke Zero Sugar. Coke Zero Sugar is also growing double digits in North America volumetrically, clearly high teens, double digits in terms of revenue, such that we're getting strong first half overall revenue

growth and volume growth with our Zero Diet portfolio in the U.S., which is a part of our strategy to go forward. So, good numbers, much better than before, work left to do.

Operator: Thank you. And our next question comes from Bryan Spillane with Bank of America Merrill Lynch. Your line is now open.

Bryan D. Spillane
Analyst, Bank of America Merrill Lynch

Q

Hey, good morning, everyone.

James Quincey
President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Good morning, Bryan.

Kathy N. Waller
Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Good morning, Bryan.

Bryan D. Spillane
Analyst, Bank of America Merrill Lynch

Q

I had just a couple of questions around cash flow. I think the cash from operations guidance for the year has come down a little bit, so just some color in terms of what's driving that. And, Kathy, I think in the prepared remarks, you talked about still the commitment to paying down \$7 billion of gross debt. And it looks like, at least year-to-date, there hasn't been that much done. So is there any connection between the cash flow and the ability to sort of hit that goal of paying down debt over the balance of the year?

Kathy N. Waller
Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Hi, Bryan. The cash from operations, the reason we took the shift from \$8.5 billion down to \$8 billion is really based upon two things. That's one would be the worsening currency environment of about three to four points that we talked about. And the second really is basically this impact of an unanticipated cash tax payment that was related to two prior year tax returns and that's a timing. So that will not reverse in the current year, but we'll get that back in subsequent years. So that was why we changed the guidance.

The cash from operations basically is we build it up from bottoms up. So we've got the line of sight to get to our new number. And it does not impact the \$7 billion that we're going to pay down on the debt. That's how we plan to come from existing cash. That paydown, so far, you're right. We paid about \$2 billion down so far this year. It is basically we're going to pay it down as it matures. So we've got maturity through 2019 to get to that \$7 billion. So we are continuing and we're on track to pay down the \$7 billion and the tax guidance does not impact that at all.

Operator: Thank you. And our next question comes from Judy Hong with Goldman Sachs. Your line is now open.

Judy Hong
Analyst, Goldman Sachs & Co. LLC

Q

Thank you. Good morning.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Morning.

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Morning, Judy.

Judy Hong

Analyst, Goldman Sachs & Co. LLC

Q

So I guess I wanted to dig a little bit into the EMEA performance. I think the price/mix actually was pretty strong, even though Western Europe volume was a little bit down. Obviously, the weather was positive, but you also had the UK sugar tax into France that's been kind of a tough market, so just going through maybe dissecting performance from Western Europe versus the rest of the EMEA markets and then kind of the drivers of the improved price/mix in the quarter versus what we saw in the last quarter.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Sure. We'll try and go through those various pieces. Look, I mean, EMEA had a pretty good quarter. We had some strong performance. Now, I mean, taking some of the various factors you called out, yeah, weather was good in some places. It was actually bad in other places. It tended to be hotter and drier in the north, but rainier in the south. So I think weather is pluses and minuses on the countries, but overall it's not the biggest driver of what's going on in EMEA.

In the second quarter, we had a number of very positive things occur. First, I would call out the broad scale launch of Fuze Tea across 37 markets in the EMEA group. As you will remember, we ended our joint venture with Nestlé on BPW. We still have Nestea in a couple of countries, but, basically, we ended the joint venture, which, of course, meant from the beginning of the year, we have to have our own tea in EMEA or in the large majority of Europe and Russia, which we launched at the beginning of the year. It's driving strong performance and we're very pleased with the launch so far.

The other thing that's going really well across EMEA is Coke Zero Sugar getting double-digit teens volume growth and double-digit teens revenue growth.

I mean, clearly EMEA is a football part of the world. The World Cup was hosted in EMEA as well in Russia. And so we had a lot of marketing programs on Coke the trademark, which has been helping us a lot on execution behind the World Cup across EMEA, which has been helping us do well.

Clearly, some of the countries we've adjusted to the sugar taxes, like the UK, but overall, I would say it was a strong quarter for the execution of the portfolio, for execution of the marketing plans. And clearly, there was some ups and downs in terms of some of the countries.

Operator: Thank you. And our next question comes from Bonnie Herzog with Wells Fargo. Your line is now open.

Bonnie L. Herzog

Analyst, Wells Fargo Securities LLC

Thank you. Good morning.

Q

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

Good morning.

A

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Morning.

A

Bonnie L. Herzog

Analyst, Wells Fargo Securities LLC

I have a question on pricing in North America. I was hoping you could give us some color on your price increase that went into effect earlier this month. I know it's early, but how confident are you that this pricing will stick and that you won't need to promote much of it back? And then, I'd be curious to hear what the general response from the retailers and then your competitors has been. Thank you.

Q

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Look, I mean, it's an off-cycle price increase, but not generally popular for a whole variety of reasons. And clearly, it's disruptive for us. It's disruptive for our customers. But I think the conversations have been about how is this going to work for each and every customer. Obviously, whilst they may understand the cost pressures are out there on freight, on the increases in steel and aluminum and other input costs that affect the bottling system and affect some of our finished products, clearly, these conversations are difficult. I think it's working its way through. We're finding ways of getting it to be implemented. I think the pricing will, in large measure, go through. I think you're starting to see that come through in Q3.

A

And so I think it's going to be one of those things that goes through into consumer pricing. I mean, ultimately, the beverage industry is not the only industry that is facing pressure from changing imports and the need to take pricing, whatever has been the driver of those input costs. And I think that that's partly just the general environment. So it's going through. It's been difficult, but I think the systems done a good job of helping the retailers.

And in the end, we're focused on coming back to our central story, which is, okay, yeah, this is a price increase, but our focus is on helping you grow revenues and profits in your business with our brands and with the beverage categories that we often lead. And so I think it's positive.

Operator: Thank you. And our next question comes from Bill Chappell from SunTrust. Your line is now open.

William B. Chappell

Analyst, SunTrust Robinson Humphrey, Inc.

Thanks. Good morning.

Q

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

Good morning, Bill.

A

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Good morning, Bill.

A

William B. Chappell

Analyst, SunTrust Robinson Humphrey, Inc.

A quick quantification. Did you or could you quantify on the Brazil strike kind of what that impact had on the top-line in the quarter? And then on the pricing in North America, just trying to understand of the four kind of issues that hit 2Q, are you just pricing for freight? I mean, or are you pricing for more than freight? I'm just trying to understand how much you need in terms of to offset that in the back half?

Q

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Look, we're not calling out numbers on Brazil. All we said is that we were slightly negative and we would have probably been positive if it hadn't been for the strike.

A

So let me talk about the North American one. Bear in mind that there's multiple types of price. The price increase I just talked about on the last question is predominantly the price increase from the bottling system on the sparkling brands in particular, which faced a whole series of input costs: freight, yes; plastic resins, yes; metal in all its various forms for many reasons, including tariffs. So there is some broad-based push on input costs that have kind of come in and affected us and many other industries as well. And that's what's driving the price increase that we took in the middle of the year, which was kind of the off-cycle price increase.

When it comes to the North American business that is in our accounting, obviously, the sparkling price increase the bottlers take will eventually flow through to the concentrate business on our sparkling side. The price increases that I talk about on juice, we took that effectively in the first half of the year, which is already planned with the retailers and the change in the packaging size that came into effect around the beginning of the second quarter. So there are a lot of moving pieces here on pricing in North America and I think it's important to disaggregate them. But again, once you disaggregate them, step back and come back to the overall picture, which is the categories are getting positive pricing. We've had positive pricing in the U.S. for several years now. We're focused on pricing, growing transactions, growing revenue, helping the customers grow and winning in the marketplace with more consumers.

Operator: Thank you. And our next question comes from Dara Mohsenian with Morgan Stanley. Your line is now open.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Hey, good morning, guys.

Q

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Good morning, Dara.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Good morning, Dara.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

So, Kathy, just one detailed question first, can you give us a sense for how much the FX hedging from 2018 is helping offset the EPS impact from currency? I just wanted to get a sense of the potential headwind in 2019 as the hedges unwind. And then, the real question is on Latin America. The results were obviously strong in the quarter. We've seen a lot of political currency and economic volatility in the region recently. So I just want to get an update on your level of confidence if the momentum can continue in the second half and I guess your view of the potential impact on your business or any risk in that region from the external environment here.

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Which one do you want? The gains?

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Do you want to do the gains?

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Sure. So, hi, Dara. The hedging gains in this year, actually we're cycling hedging gains from the prior year, which are impacting us in this year, particularly in EMEA. So they are obviously hedging gains are helping to offset to some extent. But really they're more of a cycling issue for us for this year. And so therefore, the next year, which I think was your underlying question, next year, I really don't anticipate that there will be much impact with us having to cycle hedging gains from 2018 into 2019.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

Okay, and then on Latin America?

Timothy K. Leveridge

Vice President & Investor Relations Officer, The Coca-Cola Co.

A

That sounds like a second question. We'll come back to it.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Do you want me to do that? I'm feeling benevolent.

Dara W. Mohsenian

Analyst, Morgan Stanley & Co. LLC

Q

The first one was an easy one.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

I don't believe it.

A

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

So you're going to answer it, wow.

A

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Maybe I'm feeling benevolent. I don't know what's going on here. Latin America, look, I think partly – we had a good start in Latin America, no doubt about it. We did call out – Latin America is one of those places where you need to look at a few quarters averaged together because it can be volatile. And the outlook there is there are some clouds on the horizon, but you know what? The thing can also turn positive.

I think sometimes the fears of what might happen are much greater than actually what happens. That may be true of Mexico. I think the Mexican environment looks like it's going to be stable and positive. Brazil, the strike is over. Clearly, the Brazilian economy is doing better than it was doing last year and the last few years. Argentina is looking a little more tricky. But look, we've been here before in Latin America several times. I don't think there's something that says everything suddenly all going to go wrong. So I think we've got a good plan for the second half in Latin America, together with our bottling partners. We're focused on growing the business. It's a part of the world we all understand, and I think we've got great plans to engage with the customers and the consumers.

A

Operator: Thank you. And our next question comes from Andrea Teixeira with JPMorgan. Your line is now open.

Andrea F. Teixeira

Analyst, JPMorgan Securities LLC

Thank you and good morning, everyone.

Q

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Hi, Andrea.

A

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

Good morning.

A

Andrea F. Teixeira

Analyst, JPMorgan Securities LLC

Hello, how are you? So you have discussed at length how the refranchising has helped improved performance, in particular in North America. And now, as you're starting to lap more and more territories, are you seeing any signs that trends may be slowing in some of these markets? And if not, because of tough comparisons, or are you still seeing the solid momentum building? Thank you.

Q

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Sure. I think the short answer is we've got continued momentum. We have volume growth in the U.S., which we didn't have for a long time. We've got positive pricing there. So I think the execution of the bottlers continues to be strong. Our partners remain pleased, exciting. Arca announced a big investment recently. So I think there's a lot of belief that we can continue to do well in North America. We have a good strategy.

As you look around the rest of the world, we had a very good first half in China. We refranchised the system in China. We've now got two really strong partners with COFCO and with Swire. And we had a much better start to the year in China, good volume growth, good revenue growth.

And again, as you go around, look at either the refranchisings we've done or new bottler combinations that are coming to being around the world, and even honestly some of our existing bottlers who want to be part of the refranchising continue to invest and continue to grow. So the system remains strong. Of course, there are countries here and there that are challenging. The system remains strong. It's executing, and so therefore, collectively we're all doing better. I think the headline growth by the company is symbolic and a proxy for the fact the system, this bottling system is also doing better.

.....
Operator: Thank you. And our next question comes from Pablo Zuanic with Susquehanna. Your line is now open.

Aatish Shah

Analyst, Susquehanna Financial Group LLLP

Q

Hi. Good morning. This is Aatish Shah on for Pablo. Just one question, the price/mix in LatAm increased 12% in the quarter versus 6% in 1Q. But margins fell in 2Q after increasing in the prior quarter. Can you provide some color on that dynamic regarding that pricing cost versus margins?

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Yes, so pricing was up 12% in the quarter and that was driven from strong price/mix in Mexico, Brazil, South Latin. So operational price/mix was up as well as then the timing of some deductions that were reversing from Q1 of last year.

So when you talk about margins, though, the operating margins are down 120 basis points. Comparable operating margins are down, but year-to-date margins are up 80 basis points. And that is driven pretty much from structural. So we had structural in this year as we are refranchising a couple of bottlers in Latin America, and that's offset by some currency and a little bit from the accounting change. But the underlying business in Latin America expanded and is doing well. So most of that 80 points of year-to-date margin expansion is due to the underlying business and the strong price/mix.

.....
Operator: Thank you. And our next question comes from Caroline Levy with Macquarie. Your line is now open.

Caroline Levy

Analyst, Macquarie Capital (USA), Inc.

Q

Thank you. Good morning.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Hello.

A

Caroline Levy

Analyst, Macquarie Capital (USA), Inc.

I'm just wondering if you could talk a little bit about the fact that there was a bit of over-shipment in the first quarter and continued slight over-shipment in the second quarter. Does that reverse in the back half, or what are inventories like overall? And how does more finished good product affect that, just a little discussion around timing of shipments and what to look for in the back half?

Q

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Sure. Overall concentrate CSD sales, at the headline level, in line with unit cases, and of course there's one day less in the first half, which on a straight line basis is about 0.5 point, one day in 180. So it's not a massive difference. In theory, it will reverse itself in the second half, which in a way is a small headwind in the second half. But I think I wouldn't over-engineer the thing. There's no big buildup of inventory of concentrates or finished products. It's largely a building ahead of a strong summer, a strong marketing program with FIFA. Therefore, I think it evens itself out over time. We may be fractionally ahead in the year-to-date. Maybe it'll come off in the remainder of the year, but it's always in the bounds of what we're expecting.

A

Operator: Thank you. And our next question comes from Vivien Azer with Cowen & Company. Your line is now open.

Vivien Azer

Analyst, Cowen & Co. LLC

Hi, good morning.

Q

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

Good morning.

A

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Good morning, Vivien.

A

Vivien Azer

Analyst, Cowen & Co. LLC

So we recently got the biannual use consumption data for the U.S., which, not surprisingly, showed consistent declines, which you've been seeing over the last decade, for high school past week soda consumption. But we don't, as far as I know, have this data for any international market. So, James, I was wondering. Can you just comment on what's happening on with like use soda consumption in like other developed markets? Thanks.

Q

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Yeah. I mean, look, the Coca-Cola sparkling beverage category in developed countries is in slight volume growth with positive pricing. Our strategy is to focus on transactions. We'd rather have more transactions, even if that meant flat or even slightly less volume, but more transactions with less calories and with more revenue. And we think that'll create a stronger franchise. And I think that's what you're seeing in the numbers across the developed markets.

And I think when you look at incidence rates, as we would call them, by young adults, then I think you see people starting to reengage with the category as we bring out smaller packages, as we bring out zero sugar options. And so I think we're starting to see that trend in the U.S. come to a different place and that's the strategy that we're following. We think it's going to play out over time.

Now, the reality is the reason we're doing Beverages for Life is also because it's not going to go back to what it was 40 years ago when there were relatively limited choice about the number of beverages. When you look at any consumption patent data across the developed world or, in fact, the developing or the emerging, the two biggest factors to call out is people continue to come into the commercial beverage market. Incidence rates for commercial beverages continue to go up. Yes, they're trying to have less calories, but total incidents of commercial beverages is going up. But it's more diversified.

Therefore, if we want to have and engage with the vibrant industry that's growing, we need a bigger portfolio. So we need to do justice and maintain the relevancy of the sparkling category, which is about consumer engagement, the marketing, but also smaller packages and the zero calories and some innovation, but also about winning in some of the other categories we've chosen to focus on. Consumers are buying more beverages, but they are buying it because of diversity.

.....
Operator: Thank you. Our next question comes from Kevin Grundy with Jefferies. Your line is now open.

Kevin Grundy

Analyst, Jefferies LLC

Q

Thanks. Good morning.

.....
Timothy K. Leveridge

Vice President & Investor Relations Officer, The Coca-Cola Co.

A

Hey, Kevin.

.....
Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

A

Good morning.

.....
James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

A

Morning.

.....
Kevin Grundy

Analyst, Jefferies LLC

Q

A couple, if I could slip them in, James, could we get an update on the timing for the CCBA transaction? I think last we heard, it was going to be, or at least the thinking was, end of September, which would suggest we could have heard something by now, but it's been relatively quiet. So an update there would be helpful.

And then, Kathy, a quick point of clarification on the EPS guidance, just as we sort of like tumble through the numbers that's enabled the company to maintain the 8% to 10% EPS growth. So FX, freight, commodities, it worsened. Perhaps investment levels are higher in North America to match Pepsi. You can comment on the last one, if you'd like to, but top line better. Price increases in operating leverage. What else has come in sort of a bit better? Is it on the productivity side that's enabled the company to offset the higher FX rate, et cetera, for the year? So if you could comment there, that would be helpful. Thank you.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

You want to take the last one?

A

Kathy N. Waller

Executive Vice President, Chief Financial Officer & President, Enabling Services, The Coca-Cola Co.

Sure. So on the EPS guidance, obviously, the underlying business continues to perform well, as evidenced by us taking up our OI targets. I think the thing you're not focusing on is first, there's less deleveraging below the line than we previously talked about earlier in the year. So given the way currencies have moved, that impact is actually less on profit before tax than it is on operating income.

And then, we also have, as you remember, there was another accounting change that moved pension, split the pension cost, and part of it is now below the line, which also puts a little bit more volatility in other income, but that's helping some of that deleveraging below the line, so below operating income. So all-in, we feel good about the underlying business and then we've got enough other things that are helping us to stay within our guidance.

Operator: Thank you. And our next question comes from Robert Ottenstein with Evercore ISI. Your line is now open.

Robert Ottenstein

Analyst, Evercore ISI

Thank you very much. And congratulations on another strong quarter.

Q

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Thanks, Robert.

A

Robert Ottenstein

Analyst, Evercore ISI

One area that you haven't talked about too much recently is Africa. And perhaps you could give us a little bit of sense to how the business is operating in South Africa and then the rest of Africa. And then maybe touch on the CCBA situation. If there's any kind of new issues or any things that have come up that perhaps weren't expected at the beginning of the year. Thank you.

Q

A

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

Sure. So, I mean, Africa is doing well. We had some pretty broad-based growth in Africa in the second quarter and in the first half of the year. We've always had a good business in Africa. We're one of the biggest private businesses, ultimately, with our bottling partners, in Africa. We make a lot of investments there. We think it's got an excellent long term future. And we continue to invest. I mean, just in the second quarter, we did well in Nigeria and some of the other kind of northern and eastern countries in Africa.

As it relates to South Africa, I'll say something about South Africa and then I'll relate it to the CCBA because it's not related. In South Africa, we didn't do so well in the second quarter. That was anticipated because of the implementation of the sugar tax in South Africa in Q2. We had a reasonably good plan. I don't think we perhaps were as aggressive on the reformulations as we should have been. Competitors were more aggressive. And so we quickly course-corrected in the quarter and now we're better. So in the short term, the biggest thing that's happened in South Africa is the implementation of the sugar tax and we've adjusted and are sorting ourselves out for that. And things will get better into the second half.

Nothing that's happened in the second quarter is related to the timing on CCBA. Everyone knew that the sugar tax was going to come in. As was previously commented, we talked about trying to sort this out by the back half of the year. Clearly, the process was a little slower at the beginning for a number of regulatory and approval reasons, slow in getting started. It's up and running. We've got a number of interested parties, existing bottlers, potential new South African partners. The data rooms are up and running.

The management presentations have happened and we're expecting to get back indicative proposals in the coming months. And of course in the end, it goes back to what it always will be. Once we've got those, we'll be asking ourselves the question, do we have the right partner, with the right philosophy, with the right investment plan? And can we do this at the right price? We're looking to sell, of course, at the price that sets them up for success, but recognizes the value of the asset.

And hopefully, that will all come together in the coming months and we'll be on track, but we are going to do the right thing for the business there. Hopefully, we'll get the right answer, but we're going to focus on making sure we continue to invest for the long term in South Africa and the rest of Africa. It's a vibrant continent and we're very positive on the growth of each and every country there going forward.

James Quincey

President, Chief Executive Officer & Director, The Coca-Cola Co.

So with that, let me say thank you very much to everyone for joining the call. To conclude, we had a strong first half of the year. Our performance reflects the ongoing cultural shifts in our business, embracing change, focusing on growth with discipline and becoming increasingly entrepreneurial in spirit. This has resulted in an acceleration in our business and we remain focused on delivering our full year EPS guidance. As always, we thank you for your interest, your investment in our company and for joining us today. Thank you.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program and you may all disconnect. Everyone, have a wonderful day.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2018 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.