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Coca Cola İçecek 2Q 2023 Results Presentation

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PRESENTATION

Çiçek Özgüneş

Good morning and good afternoon ladies and gentlemen. Welcome to our Second Quarter 2023 Results webcast.

I'm here with Burak Başarır, our Chief Executive Officer, and Andriy Avramenko, our Chief Financial Officer. Prepared remarks will be made by Mr. Başarır and Avramenko, accompanied by a slide deck. We will then turn the call over to your questions.

Before we begin, please kindly be advised of our cautionary statements. The conference call may contain forward-looking management comments, including projections. These should be considered in conjunction with the cautionary language contained in our earnings release. A copy of our earnings release and financials are available on our website at www.cci.com.tr. Also, following the call, a full transcript will be made available as soon as possible on our website.

Now, let me turn the call over to Mr. Burak Başarır, sir.

Burak Başarır

Thanks, Çiçek.

Good morning and good afternoon, everyone.

Thank you for joining CCI's webcast. Andriy and I will take you through our second-quarter operating highlights and then turn straight to your questions.

While the business environment continued to be challenging in most of our markets in the year's second quarter, we managed to adhere to our quality growth algorithm, delivering 3.4 ppt EBIT margin expansion, reaching the highest ever 2nd quarter EBIT margin of 20%.

As you might recall from our previous quarter webcast, Türkiye was hit by a devastating earthquake in early February. The repercussions on the economy and consumer sentiment continued in the second quarter. In addition, the severe macroeconomic challenges have continued to impact consumers in Pakistan, with some refreshing news coming later in the second quarter regarding USD 3 billion stand-by arrangement with the IMF.

While many of these challenges had already been included in our business plans 2023, some turned out to be more severe than expected, while some could not have been planned for, such as the Türkiye earthquake. In this environment, CCI's business model proved its resilience and flexibility to adapt to the rapidly evolving operating environment to continue creating value.

On an organic basis, CCI recorded 23 billion TL net sales revenues with 56% growth, while FX-neutral growth was 41%. Including the results of the newly acquired Anadolu Etap in May and June, our reported NSR growth became 58%. On a USD basis, our NSR/uc exceeded $2.5, the highest level achieved in the last decade.

Pricing was one of the critical determinants of quality growth, while improving package mix, commodity hedges, and overall efficiencies also contributed. EBIT grew by 90.5% to 4.7 billion TL with 20.0% EBIT margin.

While the quality growth algorithm was intact thanks to our proactive RGM initiatives and prudent OpEx mindset, volume was softer in our key markets, Türkiye and Pakistan, which offset the double-digit growth of Central Asia and mid-single digit volume growth of the Middle East. Consolidated sales volume was down by 8.9%, cycling 25% growth from a year ago.

In line with our effective mix management plans, the share of IC in the total mix increased by 80bps to 26.3%, the highest second-quarter IC mix since the covid pandemic affected the on-premise channel four years ago.

Net income grew by 94%, reaching 2.4 billion Turkish Lira, thanks to a quality growth mindset in everything we do and established financial management.

Our markets have significant organic growth potential. Our number one capital allocation priority is to invest in our existing markets. However, since we have a solid balance sheet with low leverage, a strong talent pipeline, and operational know-how for low per capita markets' development, we believe we are well-positioned to expand our footprint to new geographies. As a strongly aligned bottler, we have initiated discussions with the Coca-Cola Company regarding the potential acquisition of Coca-Cola Bangladesh Beverages, as we recently announced. A binding decision has not been reached yet, but we believe Bangladesh would be a good fit for our operating geography.

On another front, we got one notch rating upgrade from Fitch Ratings to 'BBB.' This recorded one of the highest spreads to sovereign ratings globally and is a testament to our resilient financial and operational performance in a difficult macroeconomic landscape with ongoing challenges in our key markets.

We acknowledge the ongoing macroeconomic and other external challenges in our geography. Global inflation remains elevated, with exceptionally high readings in some of our key markets impacting consumption patterns. Therefore, we keep our cautious stance on our full-year guidance, reiterating the expectations but highlighting that we now anticipate volume growth towards the lower end of our initial guidance. In contrast, the top line growth and EBIT margin will remain intact for 2023.

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We are happy that our growth strategy in the high-promising energy category delivers results. On top of the strong growth recorded in the previous years, we have doubled energy volume again in the second quarter.

Iced tea continues its steady improvement, while the total stills category remained flattish vs. last year due to the softer performance in juices.

Furthermore, prioritization of multipacks of immediate consumption packages in future consumption channels, sound on-premise channel activity, and mix improvement strategy continued to yield positive results across all geographies of CCI, with more pronounced positive results recorded, especially in Türkiye the Middle East. Accordingly, IC package share increased by 80 bps and improved to 26.3% in the second quarter.

The share of the sparkling category reached 84% in the mix, growing at the expense of the water category, in line with our value-creation strategy. The sparkling category declined by 9.0%, mainly due to Fanta and Sprite's lower performance, while Coca-ColaTM's decline was milder at 5.9%.

In line with our value-focused strategy, we continue prioritizing more miniature profitable packs in the water category, reducing water volume by 15%.

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While Türkiye has been recovering from the repercussions of the devastating earthquake faster than anticipated, the elections held in the second quarter have shadowed the visibility of shoppers in their purchasing power along with the persistent food and beverage inflation. In addition, sales volume was negatively impacted, particularly in May and June, by the lowest second-quarter temperatures recorded in the last five years. Cycling two consecutive years of high teens second-quarter growth, the sales volume of Türkiye operation declined by 9.4% in 2Q23.

The sparkling category volume declined by 8.1% y-o-y, and the stills category by 3.8%. Energy drinks' sales volume doubled vs. last year thanks to Monster and Predator brands. The iced tea segment was resilient with flattish performance. However, the juice category experienced headwinds.

The water category was down by 18.8%, while more profitable IC packs' share improved by c. 400 bps vs. last year, in line with our value generation focus.

Performance of the On-premise channel and increased share of IC pack offerings at the at-home channels resulted in 41 bps expansion of IC share in Türkiye to 31.4%, exceeding the pre-pandemic levels.

In the second quarter, we continued navigating historically high food and beverage inflation levels. Nevertheless, we maintained our dynamic pricing discipline. As a result of our timely price adjustments, effective discount & mix management, and record-high share of On-Premise channel, Türkiye recorded 82.2% NSR growth in 2Q23 and 101.1% improvement in NSR/uc.

A slight decrease in the gross profit margin of Türkiye operations was offset by OpEx management. Türkiye's EBITDA margin, excluding other income/expense, expanded by 116 bps to 14.5%.

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In the second quarter of the year, Central Asia continued its strong growth momentum, while the Middle East also grew, overcoming the previous quarters' competitive pressures. Uzbekistan, Tajikistan, and Iraq have posted a remarkable performance within the second quarter on the back of excellent improvement of execution capabilities.

Having dealt with one of the worst economic crises of its history, Pakistan registered a double-digit decline in the industry, while CCI's volume was also similarly impacted. Central Asia's double-digit growth and the Middle East's mid-single-digit growth partially mitigated this. Total international operations volume was down by 8.7% year on year.

The core sparkling category declined by 9.4% amid the lower performance of flavoured sparkling brands, while the brand Coca-Cola was relatively stronger.

The stills category was up by 6%, with double-digit iced tea and triple-digit energy drinks performances. at the same time, cycling 21% stills growth a year ago.

The water category contracted by 6.2% in the second quarter.

The share of IC packages in 2Q23 was realized as 23.2%, with 153 bps expansion, due to strong on-premise channel performance and an increasing share of IC pack offerings at the at-home channels.

In our international operations, NSR growth was recorded at 44.5%, and NSR per UC was up by 58.2%, thanks to the pricing adjustments in line with inflation. Excluding the impact of the currency conversion, NSR was up by 20.5% on an FX-neutral basis.

Proactive pricing and efficient hedges of commodities resulted in gross margin expansion of international operations. Accordingly, the EBITDA margin, excluding other income/expense, was also strong, reaching 25.9%, expanding over 400 bps.

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In Pakistan, the sales volume declined by 27.5%, cycling two consecutive years of solid second-quarter performance.

Inflation hit 50-year highs in the second quarter, eroding consumers' purchasing power. On top of it, excise taxes increased, which necessitated higher than envisaged price increases, impacting affordability.

In the future, we believe the new marketing and consumer re-activation campaigns and the improving economic outlook will re-igniting consumption activity in the second half of Pakistan.

Uzbekistan continued to be one of the fastest-growing CCI operations, recording 25% y-o-y growth compared to 29.5% a year ago. This momentum is maintained by improving distributor structure, cooler investments, and better execution capabilities. The brand Coca-Cola TM grew by 28% in the quarter.

Kazakhstan continued to deliver strong results thanks to the well-established execution capability and strength of the brands we operate on the backdrop of a stable macroeconomy. Sales volume in Kazakhstan was up by 3%, driven by 7% growth in the sparkling category, which in turn grew on the back of 8% growth of the brand Coca-Cola.

Now, I will leave the floor to Andriy for the financial review.

Andriy Avramenko

Thank you Burak.

While navigating a challenging first half of 2023, we concluded the second quarter with sound revenue and profit growth at the consolidated level.

Net sales revenue increased by 58% in the second quarter. Excluding the favourable currency conversion impact, FX neutral net sales revenue increase was at 43%. This was primarily driven by strong execution in all operations, dynamic pricing actions across markets, proactive revenue growth management initiatives, improving on-premise channel mix and higher IC mix across most of the regions. As Burak also mentioned, we have two months of Etap's financials in our second quarter P&L. It's a profitable business at a small scale. But to provide a like for like comparison we also provide growth figures excluding Etap. As such, organic net sales revenue growth was 56.3% in 2Q and 41% on FX-neutral basis.

In Türkiye, the gross margin decreased by 80bps to 33.4% in 2Q23 due to lower volume, weakening Turkish Lira and timing of certain cost items which will normalize during the year. We managed to mitigate these partially with timely price increases and favourable package and channel mix.

Our international operations' gross margin improved by 565 bps to 35.9%. This was achieved by disciplined price increases, tight cost controls and operating momentum in the majority of the international markets.

Accordingly, on a consolidated basis, gross margin expanded by 322 bps to 34.9% both on a reported and organic basis.

Moreover, our consolidated OpEx as a percentage of NSR was realized at 14.9%, improved by 16 bps y-o-y thanks to frugal OpEx management. We achieved 338 bps y-o-y EBIT margin improvement, reaching the highest ever second quarter EBIT margin of 20.0%.

We had higher interest expenses incurred mainly from Turkish Lira borrowings. Accordingly, net financial expenses were higher compared to the last year. Despite that, our net income grew by 94% to 2.4 billion Turkish Lira in the second quarter.

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Our determined focus on per uc metrics continue to yield positive results.

In the second quarter of 2023, consolidated net sales revenue per unit case increased by 57% to 47TL on an FX-neutral basis.

Cost inflation continued to be high in our key markets. However, we managed to contain COGS per UC increase at 50% in this environment thanks to prudent and proactive procurement measures. Successful hedging and pre-buying of sugar in international markets as well as packaging materials such as aluminium and resin across CCI made positive contribution to managing COGS per UC in the quarter.

Our effective RGM and frugal cost management of both the COGS & OpEx have paved the way for another record at EBIT level. Currency neutral EBIT/uc growth has surpassed the NSR/uc growth by a good margin this quarter and realized as 83% y-o-y.

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In this challenging environment with extraordinary headwinds in our key operating geographies, we are equally proud of both delivering record-high figures of per unit case efficiency metrics, and the way we manage to do this.

First, our effective mix management has been delivering results steadily over the years, and this quarter was no exception. We have recorded the highest IC mix of the last 4 years, reaching 26.3%.

Second, our RGM measures to command the right pricing for optimum monetization of the value of the brands we operate have paved the way for a $-based record in NSR/uc with $2.5 thanks to dynamic and data-based decision-making approach.

Finally, proactive cost management and commitment to the frugal OpEx mindset helped in further downsizing OpEx/NSR to 14.9%, which is the lowest figure in the last 10 years of CCI history. As a result, we have realized another record of EBIT/uc at $0.5 and posted 20.0% EBIT margin in the second quarter – the highest ever second quarter performance. While these are new achievements within CCI's own history, we believe CCI has still ample room to grow its per uc metrics and margins over the long-term.

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In the second quarter, operating profit was up by 90.5% compared to the same quarter last year.

The higher sugar prices in Türkiye and low base effect of 2Q'22 for all created a drag on the margins. However, we managed to navigate these challenges with strong operational performance, effective hedging of packaging materials, timely pricing initiatives, and better channel mix. We also benefited from a favourable currency conversion. As a result, we reported TL 4.7 billion EBIT in 2Q23 with 20% margin.

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As a result of our tight financial policy, the balance sheet health is intact despite the challenging operating conditions.

Our net debt is 518 million dollars, which is 0.75x of our EBITDA on a reported basis. The ratios was 0.68x excluding impact of Anadolu Etap acquisition. While Etap's debt is fully consolidated in our balance sheet, reported P&L includes only 2 months of EBITDA

Our balance sheet is fit to support our growth agenda. Even considering the planned cash outflows related to the Pakistan minority buy-out, we expect net leverage to stay below 1.0 times with positive free cash flow generation throughout the year.

Our short FX position before Net Investment Hedge is 458 million dollars, which is only 0.9x of our 12-month rolling international EBITDA. We feel very comfortable if that short position stays around 1x. The benchmark to international EBITDA is relevant since international operations are constant dividend payers to our Türkiye legal entity that carries most of the debt.

If we also consider the net investment hedges, our short FX position is only 129 million dollars. Therefore, our P&L is quite resilient to the impact of TL devaluations through FX gains and losses.

Thanks to the proactive debt management, the average maturity of our debt is 3.5 years and 42% of our current debt is scheduled to be paid in 2029. This creates an additional comfort zone to manage and plan our liquidity in the globally tight monetary conditions.

Prudent financial management, maintaining healthy balance sheet and strong liquidity position will continue to be our financial priorities going forward.

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Finally, a brief overview on our commodity hedging initiatives for the current year and 2024.

Although we don't expect an uptrend in prices as severe as the last year, we completed sugar procurement for 2023, for better visibility and planning purposes. On a consolidated basis, we have nearly 100% price visibility for 2023.

In markets where the sugar can be hedged, namely Iraq and Jordan, we also covered 75% for 2024 calendar year. For the regulated market, where financial hedging is not meaningful due to low correlation, we are waiting for the crop to have market price visibility for 2024.

On the aluminium, 2023 hedges give us 100% coverage and we started looking beyond 2023 to lock-in from favourable pricing levels for 2024. The aluminium hedging level for 2024 is around 40% now.

On the resin, our 2023 hedge coverage is around 86%. We are comfortable with this level for the moment. We have also hedged close to 20% for 2024 resin exposure and monitoring the market to increase the coverage at the reasonable price levels.

In total, the relatively flattish pricing trends of packaging materials in USD terms year on year help to cycle low base of sugar cost particularly in Türkiye and mitigate margin pressures to some extent in Türkiye as well.

Now back to Burak for his closing remarks.

Burak Başarır

Thank you, Andriy.

With mixed feelings today, I shall inform you that this webcast is my last quarterly update on behalf of CCI. As announced previously, I will move on to AG Anadolu Group Holding as of September 1st. Karim – who has almost 20 years of diverse experience in the Coca-Cola System in multiple regions – will assume CCI's CEO role, contributing to its future success.

I have always been and will be a proud CCI citizen. We characterize CCI as a purpose-driven, customer-focused, diverse ecosystem to create value as we are in everything we do. While acknowledging our geographies' challenges, the opportunities to create value are far more significant. I am confident that our digitally enabled omnichannel strategy, strong execution capabilities, and innovative product pipeline will continue accelerating our quality growth under Karim's leadership in the coming periods.

Once again, I sincerely thank our people for having an agile mindset and being highly motivated in this journey as we strive to realize our vision to be the best FMCG execution player in our geographies. I would also like to thank our investment community and all stakeholders for sharing and supporting our vision for the future.

To achieve this vision and serve our purpose of creating value for all our stakeholders by delivering sustainable long-term growth, we capitalize on some key strengths:

- Our diverse brand portfolio includes some of the world's best-known brands. We offer our consumers various products for every lifestyle and occasion.

- Strong alignment with TCCC enables us to operate under a solid long-term relationship model and seize value-adding inorganic growth opportunities.

- Strong talent pipeline across geographies, fostering top-line growth while accelerating our digital transformation for improved customer service and operational efficiency

- Prudent financial management that results in sustainable free cash flow and a strong balance sheet, which is also appreciated and certified by independent rating agencies.

- Dynamic RGM and prudency in expense management that enables solid profitability despite underlying macro challenges.

Now, we can open the floor for the questions.

Thank you very much.

Q&A

Ece Mandaci

I have two questions. One is about the current outlook for the Turkish and Pakistan market. We see that there is some volume decline as of the second quarter, but you're also keeping your guidance. So, we should assume some significant growth for the third quarter, right? And in terms of number of transactions, we are seeing even a better environment I feel like. So, could you please give an update on the demand outlook specifically for these markets, Türkiye, and Pakistan?

And second question is about the working capital. We are seeing an increase in the working capital in the last two quarters compared to sales (working capital over sales). So, is that related to the Pakistan business? Could there be some normalization or a decline in these ratios? That would be very helpful is thank you very much.

Andriy Avramenko

First, Türkiye and Pakistan outlook.

Türkiye, we know had a very difficult first half. So, we are focused on normalizing and bringing the business to grow. And there are some signs in July that started improvement. And so that's why we have confidence, and we believe that we can hold our overall guidance for the total company for the full year.

Pakistan, as we all know, the first quarter was very good. But then in the second quarter, there were some unprecedented events in Pakistan. And the situation is not easy. And we worked on sort of stabilizing what's happening with the business, with the category, with the industry, and continue to make some gradual improvements.

Pakistan may be a little longer story. We are in a more improvement path in Türkiye. But overall, our goal and our plans call for rapid turnaround and coming back to grow in both operations. And that's why we are focused on holding the guidance for the full year.

Now, in terms of net working capital, there are a few items that impacted that number. One of the important ones, as you all appreciate, is that driving top line and the way we drove it, particularly significantly proactive in many cases, price increases, anticipating the significant deterioration in some of the markets, and protecting the business in some time involves some expansion of net working capital. And this is exactly what we did. There were some smaller items in net working capital but that has not given a material impact. We expanded for the season. And now we are very much laser-focused on coming back to the numbers that we promised.

I want to also underline that while we allowed some expansion of net working capital, particularly from the accounts receivables perspective, obviously, it's done in a very disciplined and secure manner, as we always do with the guarantees, pledges, and so on, protecting collectability of accounts receivable.

Hanzade Kilickiran

I have three questions. The first one is about your guidance again. Do you see any upside to your EBIT margin guidance post very strong performance in the second quarter? And how was your pricing this year versus the inflation? Because you reached a record-high revenue per unit case, but I assume this is partially driven by the product mix. I'm trying to understand the pricing pattern, and what are you expecting for the rest of the year.

And the last one, I don't know if you can, is it possible to give some sort of information about your ongoing talks for the acquisition of Bangladesh operations? And how big is this operation? Thank you very much.

Andriy Avramenko

In terms of the guidance, with the events, I think, in Türkiye in the first half, and then gradual recovery at this point and what happened in Pakistan and continues to happen Pakistan, I think we will be very cautious in terms of guiding beyond the guidance that we just confirmed.

And I think we communicated that volume is on the lower side of the guidance, the EBIT on the higher side of the guidance, but this is as much as we are comfortable to communicate today.

Because there is so much uncertainty in the markets, and we are literally redoing the plans very often to make sure that we adapt in an agile manner to what's happening in our key markets,

On pricing against inflation, I think, from our numbers, this should be fairly clear that we took some pricing at or above inflation in the markets and the US dollar per case average expresses this very clearly. Yes, there is some mix effect. But fundamentals of this growth is also taking pricing in anticipation of – in some cases, due to commodities in some cases, due to inflation and depreciation of the currencies that has been happening in the market in the reported and previous quarter, but also in anticipation of what may happen. And so, that's why we do pricing at that level. So, I think it should be evident that we took pricing at and above inflation in nearly all markets.

In terms of Bangladesh, the discussions continue. I think at this point, we disclosed as much as possible given the level of discussions. And as soon as we have more, we will obviously inform you.

In terms of what I would like to underline. Obviously, it’s a really big country in terms of population. It is a country with very low per capita consumption of beverages, and I'm sure industry figures are publicly available. And that's why we see that there's very significant long-term growth opportunities.

But in total numbers of CCI, it may not be at the beginning very large operation, but the growth opportunity is very significant.

Cemal Demirtas

My first question is about the cost base. How do you see the impact of minimum wage increase and fuel increases on your cost structure? And do you need further increases in the prices going forward assuming that the current FX rates will remain? That's my first question.

And the other question is about the summer trends. You mentioned agility [audio]. How do you see the trends in the tourism side, during times and the hot summer? Did you see any momentum in July and August? That's my second question.

Andriy Avramenko

Okay, let's talk about cost base, I assume it's a question about Türkiye, it's 35% of our business.

So, in terms of the minimum wage and fuel, let's kind of take it step by step. Obviously, with the inflation that is present, and also – which means the prices in the market increase for FMCG products as well as compensation, salaries, and benefits, and so on increase in different companies, in different places, or costs of people increase, this was something that we should forecast more or less, and so it's in our plans, and it has been taken care of in our plans.

In terms of fuel, this was more a surprise than a minimum wage increase, let's put it this way. But also, we are processing those, and that's why the certain price increases that we have taken and so on. So, we are focused on maintaining both return to growth and margins, all this.

So, now, on that side also, I would like everybody to think about what minimum wage increase does for the demand. And so, from that perspective, it's actually a positive sign for us. So, in terms of the minimum wage and salary increases, we are more focused not on a cost impact on us, but more on a demand potential that it creates for us. So, for us, from our perspective, this is net-net positive news.

Fuel, obviously, is a significant item. And as I said, through our price policy and focus on the margins, we are managing that challenge.

So, we don't see it, going forward, as something that is materially detracting us from achieving our goals for the year.

In terms of the summer trends, yes, hotels are full, tourists are here, it's very good. It's good for Türkiye. Good for Türkiye. Good for economy. Therefore, it's good for us too. I just want to emphasize, we consistently say this that while tourist consumption is a small positive for us, where we see real positives from tourists is from general economic activity and general economic development and demand – secondary demand for our products from people who actually earn from tourism and support tourism industry and so on. So, we see it as a net-net positive. Tourism itself, yes, there is a good demand. But the primary impact is relatively smaller for us than the secondary impact from tourists, where we have a more broad-based demand for our products from Turkish population.

Antonio Gomes

I was just wondering if you could elaborate a little bit more on the working capital point that you've made. Are you implying that you've seen a slowdown, a further slowdown in demand going forward and thereafter? How's your plan to get it back to the guidance of low single-digit working capital to sales given that even though Q2 is seasonally a more working capital-intensive quarter, this quarter was exceptionally higher.

Andriy Avramenko

Our net working capital, as you know, and our sales and so on, and sort of so-called selling, so what we sell to our distributors, to our dealers and so on, those who get some credit, it's at the end of the first quarter and throughout the second quarter. So, we are reporting on a quarter where naturally, our sales are highest. And as a result, our networking capital, if when and if we choose to use it as a lever to support – and in this case, we did for the pricing that we wanted to realize and to maintain high presence on the shelves and so on, and throughout the value chain – we chose to do it. So, that subsides in the third quarter, and then it will be wrapped up in the fourth quarter. So, this is a natural cycle for us. And we are, as usual, in the third and fourth quarter we start receiving cash from the market. And this is what will be happening, and is happening right now.

So, we do not see, at this time, a significant issue in this area. We're working on bringing it to the numbers that we guided you in the past. It's all about collections from the market at this point.

Antonio Gomez

That makes sense that it's seasonal, but it's substantially higher. The jump between Q1 and Q2 of this year was substantially higher than it was in previous years even on a US dollar basis, which is why I'm asking.

The second question I had is on your financial strategy. You acquire Etap in the second quarter. I'm just wondering given your leverage is already quite low, what are you planning to use your free cash flow on going forward?

Andriy Avramenko

Our capital allocation I think is very transparent. First and foremost, we will continue to invest in our existing business, grow the core. We have literally unlimited opportunity for our lifetime to grow business, core business in our existing territories. And this is our primary focus. So, whenever we see the opportunity to invest, we do invest. That's why we endure significant CapEx as we guided, and we will continue to invest in our existing business, while there is a temporary slowdown or even decline in Pakistan.

Long-term Pakistan is a promising operation. We see high double-digit growth in Uzbekistan and so on. Kazakhstan continues to grow and it's a large business and so on.

So, we continue to invest in our core. This number one priority.

Second, we have capabilities, know-how in terms of operations and particularly commercial operations, and people are the best trends to expand the business. And this goes into different ways, in some cases, this is adding Monster energy drinks across our territories or starting Costa business in Türkiye. In some cases, it's adding new territories.

So, on the acquisition side, you know we have a pending closing of acquisition of 50% in Pakistan from the Coca-Cola Company that we intend to close as soon as possible this year. And this is this will require some deployment of capital and we are in discussions with the Coca-Cola Company to acquire Bangladesh as we communicated earlier. So, this is another expansion opportunity and taking into account the tremendous growth opportunity which is there. So, going forward, we will need to invest into expansion to support that growth in that market.

And we are always on the lookout for reasonable fits for our business, what we can add to our portfolio in terms of territories and businesses. But we are very prudent in terms of what we do as I think the track record shows. We are very choiceful, we make very few transactions but with a very clear visibility on how we will create returns or returns above average cost of capital in the foreseeable future. So, we will continue to look out for those, and we have an active dialogue with the Coca-Cola Company to make sure that we are within the consideration of their plans on the territories that make sense and fit from our capabilities' perspective and geographic adjacency perspective.

Now, beyond the expansion, we're obviously focused on re-joining capital to our debtor, to our sort of… from a financial point of view, repaying our debt, as well as paying dividends. And so, this will continue going forward. Deleveraging is important. And whenever we make acquisitions or significant investments and expansion, we are laser-focused on keeping debt to EBITDA multiple to lower levels. Because as we always talk about it, in our markets, it's very important to have a very strong balance sheet and relatively lower indebtedness to make sure that we can withstand any type of shock that can come in our markets.

And our dividend policy is very clear, we will continue to pay and increase dividends going forward. So, that's, you know, our historical trend.

Hanzade Kilickiran

Andriy, I have a technical question on FX gains, if I may. I see you have carried nearly a half billion Turkish lira from comprehensive income to P&L. Will this continue in the rest of the year in case of [stable FX]? I'm trying to understand the technical drivers of this move.

Andriy Avramenko

I do believe this relates to the movements of capital between our subsidiaries, so this should not be a recurring item from that perspective. We financed Etap, and this was the impact from that movement. We brought capital to our Turkish subsidiary and then invested in Etap. So, from beyond that, this is sort of a one-time impact, so I would not assume it as a recurring item.

Burak Başarır

Everybody, thank you very much for your kind words to me, and you're wishes.

So, I would like to, once again, thank each and every one of you, maybe we've known each other for a long time since we did the IPO. And I'm sure we're going to be meeting again when I transition into Anadolu Group.

So, once again, thank you for your interest in our company, in CCI. And we would love to catch up with you in other webcasts and occasions. And wish you all a great day.

Thank you very much for your interest. Thank you.