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# First Quarter 2025 Conference Call

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*Participants*

Jorge Collazo - IR Director

Ian Craig – CEO

Gerardo Cruz – CFO

**Operator:** Hello and welcome to the Coca-Cola FEMSA First Quarter 2025 Conference Call. My name is George. I'll be your coordinator for today's event. Please note this conference is being recorded and for the duration of the call, your lines will be in listen only mode. However, you have the opportunity to ask questions towards the end of the presentation, and this can be done by pressing star one on your telephone keypad to register your vote. If you require assistance at any point, please press star zero and you will be connected to an operator. I'd like to hand you over to your host today, Jorge Collazo, to begin today's conference. Please go ahead, sir.

**Jorge Collazo:** Thank you, George. Good morning to you all. And welcome to this webcast and conference call to review our first quarter 2025 results. Joining me this morning are Ian Craig, our chief executive officer, Gerardo Cruz, our chief financial officer, and the rest of the Investor Relations team. As usual, after prepared remarks, we will open the call for Q&A. Before we proceed, please allow me to remind all participants that this conference call may include forward looking statements and should be considered as good faith estimates made by the company. These forward-looking statements reflect management's expectations and are based upon currently available data. The actual results are subject to future events and uncertainties that can materially impact the company's performance. For more details, please refer to the disclaimer in the earnings release that was published earlier today. And with that, let me turn the call over to our CEO. Please go ahead, Ian.

**Ian Craig:** Thank you, Jorge. Good morning, everyone. Thank you for joining us today. Let me begin by saying that despite increased uncertainty and a soft macroeconomic backdrop in key markets. I am very pleased with the capacity of our company to adapt to external headwinds and deliver results. Our teams implemented several initiatives, both commercial, financial and supply chain, to rapidly adjust to the environment, ensuring we maintain on course towards our key objectives for the year. As I have mentioned in previous calls, we are fortunate to be participating in a vibrant beverage industry within a growing region. And Coca-Cola FEMSA's resilient profile becomes even more evident while navigating an environment of increased uncertainty as the one we are seeing today.

Our resilience enables us to continue managing the business for the long term with a consistent strategy while adjusting initiatives in the short term. As such, the strategic playbook for 2025 remains focused on three key pillars growing our core business. Second, taking Juntos+ to the next level, and three, continue fostering a customer centric and psychologically safe culture for Coca-Cola FEMSA. During our call today, we intend to provide you with an update on the main developments of our business, diving deeper into the initiatives we are implementing to successfully navigate the current operating environment. Then Gerry will guide you through our division's performance and provide updates on sustainability following the recent publication of our integrated annual report.

With that, let me begin by summarizing our consolidated results for the first quarter. On the back of a more challenging macroeconomic backdrop, our consolidated volume declined 2.2% year on year to 986.5-million-unit cases. This was driven mainly by declines in Mexico and Colombia, partially offset by growth in Brazil, Argentina, Uruguay and Guatemala. On the one hand, our sparkling beverage volume declined 3.3%, driven mainly by contractions in Mexico and Colombia. On the other hand, still, beverages grew 3.9%, driven by Mexico and Brazil. And bottled water grew 4.6%, driven by the positive performance achieved in most of our South America divisions.

Despite the low single digit volume contraction, our revenue management initiatives and favorable currency translation effects led our total revenues for the quarter to grow 10%, reaching $70.2 billion on a currency neutral basis. Our total revenues increased 5.9%. Gross profit increased 12% to $31.8 billion, leading to a margin expansion of 80 basis points to 45.4%. This increase was driven mainly by lower sweetener costs, top line growth and raw material hedging initiatives. These factors were partially offset by higher fixed costs, such as maintenance and the depreciation of most of our operating currencies as compared with the US dollar.

Our operating income increased 7.3% to $9.2 billion, with operating margin contracting 30 basis points to 13.2%. This slight operating margin contraction was driven mainly by lower operating leverage coupled with higher operating expenses such as freight, labor, depreciation and maintenance. However, we mitigated margin pressures by implementing cost and expense controls across our operations. Adjusted EBITDA for the quarter increased 11% to reach $13.3 billion, and EBITDA margin expanded 20 basis points to 18.9%. Finally, our majority net income increased by 2.7% to $5.1 billion. This increase was driven by operating income growth and a decrease in our comprehensive financial results, which was partially offset by a higher effective tax rate.

Now, expanding on our operations highlights for the first quarter. In Mexico, our volumes declined 5.4%, cycling a high comparison base from the previous year, which grew by 6.9%. This performance was driven mainly by a deceleration in economic activity, geopolitical tensions that affected consumer sentiment, and more challenging weather. In this environment, we swiftly adjusted our tactical calendar and activated targeted promotional activities in single serve and multi-serve across both modern and traditional trade channels. Additionally, our team implemented an execution plan focused on increasing exhibitions at the point of sale. These initiatives are showing encouraging results.

For instance, we improved coverage by close to 8% in brand Coca-Cola and more than 12% in flavors by the end of the quarter. Our coverage of exhibition space increased from 50 to 60%, with modern trade showing faster signs of recovery. Regarding customer service, our capacity investments and supply chain adjustments have contributed to improved order fulfillment by 1.4 percentage points and a 2.1 percentage point increase in efficiency. The metric we use to measure the accuracy of our sales division. Finally, as a result of a softer macro backdrop, our team in Mexico has identified potential savings mainly from supply chain procurement and IT. All these initiatives underscore our capabilities to record positive momentum and deliver results, despite a softer than anticipated start to 2025.

Now moving on to Guatemala, our volumes increased 1.9%, reaching 46.8-million-unit cases. The acceleration in the pace of volume growth is explained by what we believe were temporary macro factors. On the one hand, inflation in the food basket remains high, affecting consumer sentiment. On the other hand, despite a 10% increase in remittances year on year, the uncertain environment resulted in a higher propensity to save instead of flowing through to consumption, with saving deposits increasing 24% year on year in Guatemala. We are maintaining the course of our long-term plan while implementing short term initiatives focused on recovering our positive momentum. Among our portfolio initiatives, we're leveraging the successful Share a Coke campaign to continue improving our competitive position in brand Coca-Cola.

Regarding our sales force and route to market, we are strengthening Training while adding more than 80 additional routes. With this route increase, we expect to take our frequency from 1.32 to 1.45 average visits per week by the end of 2025. Regarding commercial enablers, we are leveraging Juntos+ and Juntos+ Premia. We have now more than 90,000 monthly active users, a 32% increase versus the previous year, with more than 50% of these users active on the app. Finally, our team in Guatemala has also identified savings initiatives focusing on rigorous cost and expense controls. Now moving on to discuss our South America division.

In Brazil, a resilient consumer environment drove 2.5% volume growth year on year, despite facing a challenging comparison base driven by the temporary suspension of our plant in Porto Alegre and the 10.4% volume growth achieved last year. We continue focusing on growing our core business, achieving a healthy performance across categories and channels. For example, Coca-Cola Zero Sugar maintained an impressive pace, growing 65% year on year, while Powerade grew 36% and Monster grew 17.6%. Notably, our single serve mix increased 1.9 percentage points versus the previous year, reaching 26%.

On the digital front, Juntos+ in Brazil added another 10,000 monthly active buyers with a 17% higher average ticket than the prior year. Furthermore, we completed the rollout of Juntos+ Advisor, our state-of-the-art sales force enabler. We see this tool as a game changer to the empowerment of our sales force. Finally, regarding our plant in Porto Alegre, we expect to reach full production capacity next quarter, which should help improve our customer service metrics as well as our freight costs. We are also making important progress in the development of an ambitious engineering project designed to protect our plant. This additional project is expected to be completed in March 2026.

Moving on to Colombia. In Colombia, we faced a more challenging macro and sociopolitical context to begin the year. Inflation remains stubborn, while consumer confidence deteriorated during the quarter. Against this backdrop, our volumes for the quarter declined 8.1%. However, our commercial initiatives enabled us to improve our competitive positions in key segments such as sparkling beverages, juices, energy, and flavored water. As is the case across Coca-Cola FEMSA, our team in Colombia has identified cost and expense efficiencies that will help us navigate the current operating environment, focusing mainly on procurement and supply chain.

Finally, in Argentina and Uruguay, our volumes increased 9.1% and 6%, respectively. In Argentina, the sharp adjustment experienced last year led to a deep decline in consumer spending. However, the macroeconomic indicators have improved and remain under control, with monthly inflation below 3% and a disciplined financial surplus policy since the second half of 2024. We continue to see gradual sequential recovery across different sectors, including beverages with durable and tradable goods leading the way. We anticipate that this recovery is paving the way for long term growth in Argentina. Disposable income in the Greater Buenos Aires area has improved by 15% as compared to the previous year. To continue outperforming, we maintain the same strategy that has allowed us to deliver results, providing affordability and fostering single serve growth.

Regarding cost and expense controls, and on the digital front, we're excited by the rollout of Juntos+ version 4.0 in Argentina, which we anticipate will be an enabler for continued business growth in Uruguay. We strengthened our competitive position by leveraging growth enablers. For instance, our focus on single serve allowed us to increase our single serve volumes by 13.4% and expand our mix by 1.5% to reach 23.5%. We're also focusing on growing in hydration, strengthening power to continue growing our position in profitable, non-carbonated beverage segments. Finally, our team in Uruguay has implemented significant initiatives to strengthen our customer centric culture, resulting in improved customer service metrics.

During the first quarter, our commercial and distribution service metrics improved by 1% and 1.3%, respectively, as compared to the previous year. As I previously mentioned, Coca-Cola FEMSA resilience is even more evident today. We remain focused on our long-term objectives and are optimistic about our capabilities to leverage our long-term strategy while fine tuning our plans, generating efficiencies to deliver results, and continue making Coca-Cola FEMSA an even more adaptive organization. Together with our partners at the Coca-Cola company, we're implementing a playbook that has enabled us to successfully navigate uncertainty and emerge a stronger system. Prioritizing long term sustainable growth, collaboration, and relentless execution. With that, I will hand over the call to Gerry.

**Gerardo Cruz:** Thank you, Ian, and good morning to you all. Let me begin by summarizing our division's results for the first quarter. In Mexico and Central America, volumes declined 0.6%-to-553.3-million-unit cases, driven by volume declines in Mexico, Panama and Costa Rica that were partially offset by growth in Guatemala and Nicaragua. Revenues increased 4.8% to $39.7 billion, driven mainly by our revenue management initiatives and the favorable currency translation that was driven by the depreciation of the Mexican peso on a currency neutral basis.

Revenues increased 0.8%. Gross profit increased 5.6% to reach $18.9 billion, resulting in a gross margin of 47.6%, an expansion of 30 basis points year on year. This margin expansion was driven mainly by our revenue management initiatives and improving sweetener costs. These effects were partially offset by unfavorable mix effects, higher fixed costs, such as maintenance, and the depreciation of most of our operating currencies as applied to our US dollar denominated raw material costs.

Operating income decreased 5% to $5.4 billion, and our operating margin contracted 140 basis points to 13.6%. This contraction was driven mainly by lower operating leverage coupled with higher operating expenses such as maintenance, depreciation, and an operating foreign exchange loss. However, these effects were partially offset by expense efficiencies coupled with the recognition of insurance claim payments in Mexico. Finally, our adjusted EBITDA in the division grew 2.1% with a 60-basis point margin contraction to 19.9%.

Moving on to South America, volumes increased 1%-to-433.2-million-unit cases. This increase was driven by the growth achieved in Brazil, Argentina and Uruguay that was partially offset by a volume decline in Colombia. Our revenues in South America increased 17.4% to $30.5 billion, driven mainly by our revenue management initiatives, favorable mix and favorable currency translation effects into Mexican pesos on a currency neutral basis. Total revenues in South America increased 13.2%. Gross profit in South America increased 22.8%, leading to a margin expansion of 190 basis points to 42.5%.

This margin expansion was driven mainly by top line growth, operating leverage, and the decrease in sweetener costs. These effects were partially offset by the currency depreciation Appreciation from most of our operating currencies as compared to the US dollar. Operating income for the division increased 31.1% to $3.8 billion, and operating margin expanded by 130 basis points to 12.6%. This margin expansion was driven mainly by operating leverage coupled with cost and expense controls across our operations. These effects were partially offset by higher fixed costs and expenses such as freight and maintenance. Finally, adjusted EBITDA in South America increased 27.3% to $5.3 billion, for a margin expansion of 130 basis points to reach 17.5%.

Shifting gears to our comprehensive financial results, which recorded an expense of $1.1 billion as compared to an expense of $1.2 billion during the same period of the previous year. This 5.2% reduction was driven mainly by a gain in financial instruments of $135 million, as compared to a loss of $46 million in the same period of the previous year, mainly driven by the quarterly reduction in floating interest rates, and we recorded a higher gain in Hyperinflationary subsidiaries. However, these effects were partially offset by a foreign exchange loss of $59 million as compared to a gain in the same period of the previous year, driven by the quarterly appreciation of the Brazilian real as applied to our US dollar denominated cash position. Our interest expense net increased 9.7%, driven by higher interest expense due to new financing in Argentina and higher interest rates in Brazil, coupled with lower interest income, mainly related to decreases in interest rates in Argentina.

Finally, I'd like to take a moment to comment on sustainability. As we've highlighted in previous calls, fostering a sustainable future remains one of our six strategic priorities. Earlier this month, we published our 2024 Integrated Annual Report showcasing key progress across our sustainability agenda. Over the past year, we strengthened our sustainability framework and completed our first Double Materiality assessment, resulting in a more closely integrated strategy into our long-term planning and reinforcing our ambitions to amplify our positive impact across the value chain.

As part of our sustainability efforts, we made meaningful progress across several key areas. We increased renewable energy use to 84%. Last August, we reached our intermediate water efficiency target of 1.36 liters per liter of beverage produced, positioning us as industry benchmark. Diverted 99% of operational waste from landfills, we improved workplace safety, we increased the share of women in leadership roles, and we strengthened community support through water access and climate response programs aligned with our social fund. For further details, I invite you to explore our 2024 Integrated Annual Report available on our website. With that, operator, we're ready to take questions.

**Operator:** Thank you very much, sir. Ladies and gentlemen, as a reminder, if you wish to ask any questions, please press star one on your telephone keypad. And just make sure that your lines are not muted to allow you to reach your equipment. So that is star one for questions. We'll begin today's Q&A session with Mr. Rodrigo Alcantara of UBS. Please go ahead.

**Rodrigo Alcantara:** Hello. Good morning. Can you hear me?

**Jorge Collazo:** Yes, Rodrigo. Hello?

**Rodrigo Alcantara:** Yeah. Awesome. Thank you. Yeah. The first one would be on Mexico. Ian, would like to explore a bit better on your commentary on adjusting rapidly to the uncertain environment. Right. You mentioned about promotions, about launching promotions for multi-serve if I understood correctly. So wanted to explore more about this. And how are you adjusting to this uncertain environment? And also, if you can share a bit about what you expect in terms of price elasticity. Right. I mean, perhaps price you expect to increase volumes, right? Any number you can share regarding a potential elasticity we may see from this adjustment that you're doing in Mexico? That would be my question to you, Ian. And the other one would be to Gerry. All in all, full year 2025, you can't comment on the quantity savings that you have projected for this year. Would they come only from a lower cost to serve? Would be more for OPEX. Any guidance that you can give us on the cost savings for the full year would be very helpful. Thank you, Ian, for the special questions.

**Ian Craig:** Hi, Rodrigo. Yes. Let me give first a little a broader context of Mexico for our industry and in general. And then I'll tell you what I refer to as adjusting rapidly and what we've seen in the short term. So if you remember, just in general, last year, in the first half of the year, there was a lot of cash on the street from social programs that had been anticipated, let's say the outlays, and probably in connection with the elections. And then we had a heat wave that coupled with a dry spell as well that started around April, peaking in May, June. Remember it was very high heat and then the contrary happened in the second half. We had a lot of rain in the third quarter, a lot of floods, hurricanes as well by the end. And we had the hangover from the elections with less cash on the street. So that that was the general background.

So going into this year, we knew we were going to have tougher comps for the first half of the year. So that was, let's say, sort of factored into our plans. January started off reasonably well within that backdrop. And then in February we started seeing a slowdown. Remember, there were more geopolitical tensions around, more uncertainty, and we started seeing an increase, really a spike in promotional activities. And this is not limited to the beverage industry at all. So when you go out there today and visit the market in Mexico, you see a lot of brands doing two for one promotions. You see bread makers doing, seeking magic price points. The donuts[?] That are very popular here for 10 pesos. Less content for the same packages.

So you see an intensity in the competitive environment across CPG markets in general. So that's what I mean by when we started seeing that and the volumes getting soft. We very quickly reacted and to this day in our territories, in this environment, we need to be at a very accessible price point with an intense promotional calendar. Otherwise, you're not in the ball game. So that's what I mean today. So in that environment, yes, price elasticity is higher. Okay. So I don't know if that context helped in general.

**Rodrigo Alcantara:** Yeah. That was awesome. Thank you, Ian. Would be the other one for Gerry.

**Gerardo Cruz:** Regarding savings, Rodrigo, for this year, building on what we did last year, we have identified about $90 million in savings distributed fairly equally between cost to make, cost to serve and T1 and portfolio savings. Having said that, we're especially making an effort in the two operations where we are seeing a softer consumer or softer consumer sentiment.

Mexico and Colombia looking for other savings initiatives that can help us run through this short-term expectation of softer consumer environment.

**Rodrigo Alcantara:** And those 90 million would be in Mexico>

**Gerardo Cruz:** In all of our operations, Rodrigo, but certainly Mexico is an important portion of the savings that we're looking to achieve.

**Rodrigo Alcantara:** Awesome. Thanks, Gerry.

**Gerardo Cruz:** Thank you.

**Operator:** Thank you, sir. Our next question comes from Felipe Ucros of Scotiabank. Please go ahead.

**Felipe Ucros:** Thanks. Operator. Good morning, Ian, Gerry and team. A couple on my side. Perhaps starting with Latin America. Pretty good volume performance in the Southern Cone and then a nice uplift in EBITDA. Just wondering if you could comment on the profitability by country. I imagine that the volume recovery in Argentina was a key driver for improving the margins but wanted to make sure if that's where most of the margin improvement came from. And then on operating leverage, I recognize that volumes have had a lower absorption effect this quarter. But even when we look at the prior two quarters, it looks like consolidated SG&A as a percentage of sales have been coming in a little hotter than in 2022 and 2023. So I'm wondering if you think this is something that you can lower back to those levels, or if we should think of this expense inflation as simply a reset to a new level, and think of this new level as the appropriate one for modeling going forward? Thank you.

**Ian Craig:** Hello, Felipe. If you want, I'll give you a broader context. And then, Gerry, you can go and enter into the specific margins and the points that Felipe raised. So Latam, Latam had a very good response on - the margin expansion was not limited to Argentina. I would say a big, big driver was Brazil as well, which continues to fire on all cylinders. And notwithstanding a tough comp for us because we still didn't have the Porto Alegre plant fully operational. We barely closed the quarter around 60%. We are today at around 80%. But even with that, we had nice margin expansion in Brazil, very good expansion in Argentina. So in general, things are looking good for us in those operations. Gerry, do you want to get into the specifics?

**Gerardo Cruz:** I'll start with the first part of your question, Felipe, regarding the performance in our South America division. All of our operations actually contributed to margin expansion. To highlight, obviously Argentina, that you mentioned. But also, we saw an improvement in profitability margins in Colombia and our largest operation in the South America division. Brazil also showing an expansion in EBIT margins of 100 basis points for the period as compared to last year. So across the board, margin expansion, as you know, and we've highlighted before we have opportunities to continue expanding profitability in both our operations in Brazil and Colombia. So we expect that to continue to be the case as we move forward. But this is the case for this quarter.

Regarding SG&A, our expenses for our Mexico, South America, for our Mexico and Central America division. We have seen pressure, especially in Mexico, related to labor. Also, maintenance was an important issue. And we expect that this will continue to be an issue as we continue building our capacity. But we do have a very important focus, especially this year in the first half of this year to try to look for efficiencies in expenses, especially in our Mexico operation to help with the numbers when we're seeing a softer market conditions.

**Felipe Ucros:** Got it. That's very clear. And if I can do a very short follow up. I wanted to see if you could comment on changes in the mix. Are you seeing consumers kind of veering towards returnables, given the deceleration and a little bit more of a conservative stance from the consumer?

**Jorge Collazo:** Hi, Felipe. It's Jorge here. Yeah, I would say we see mixed across Coca-Cola and mixed performance with regards to presentations in terms of size, I would say, from single serve and multi-serve. So for example, in Mexico in particular, we have seen that in terms of mix moving more towards multi-serve. On the other hand, I would say that in South America, as Ian mentioned, Brazil is performing very well, growing on top of very tough comps. It was double digit growth the first quarter of 2024. And on top of that, Brazil is growing. As Ian mentioned during his prepared remarks, that single serve mix in particular in Brazil is growing. So I would say it depends on the market and what we're seeing. But I would say that in most parts of South America and in South America division we're seeing a trend of single serve, mixed growth. While in Mexico we have seen a little bit more of performance from multi-serve presentations in particular.

**Felipe Ucros:** That's very helpful. Thanks a lot, guys.

**Gerardo Cruz:** Thank you, Felipe.

**Operator:** Thank you very much, sir. The next question today will be coming from Mr. Enrique Morello of Morgan Stanley. Please go ahead, sir.

**Enrique Morello:** Hi everyone. Thank you so much for taking my question. I just want to explore a bit your market share trends in Mexico. So I wonder if, coupled with the volume decline, you also saw meaningful changes in the market share trends during the quarter. You already mentioned that you adjust your price in the end of the quarter, but if you could comment, if you still perhaps saw customers migrating to brands with lower price points or something like that would be helpful. And still in the market share topic, if you could just also remind us quickly what our priorities in terms of categories and products you want to recover market share and how that's been evolving when you your additional capacity comes online. That would be very helpful as well. Thank you very much.

**Ian Craig:** Hi, Enrique. Yes. Like I said, we were transiting January more or less in line with what we expected. And then we saw an adjustment to our volumes and a softer environment and softer share in February. And that is when we reacted very, very swiftly and adjusted our plans, increased our tactical calendar both for single serve and multi-serve, and in both traditional and modern channels. In modern channel, it's much easier to have very good price compliance, have all of the calendar follow through. So I would say from the impact that we saw in February, share trended very well in the right direction throughout the rest of the quarter in the modern channel. So we're confident that that's going to start to show.

And then in the traditional channel, it took us a little bit more time to get everything in place with our revised calendar, because you have to make sure that the resources you put in are going to flow through to the consumer. Otherwise, it's just increased trade margin. So that took us more time, a couple of weeks. And once we were able to adjust that, then the share recovery is starting there as well. It's trending in the right direction. It's not at the modern channel levels where we've seen - we've been able to recuperate the impact that we had in February, but it's trending in the right direction.

**Gerardo Cruz:** And, Enrique, regarding capacity and the focus that we have across categories, and remember that the first strategic priority that we have is growing the core business. So the vast majority of the capacity that we are adding across our markets is focused on that core. So that means that it's going to the sparkling category. We're adding different sizes, different presentations. And that, as is obvious, it's going to help us not only with brand Coca-Cola, but with flavors as well, because when we were facing the capacity constraints, at some point, as you know, when there was an availability, we had to prioritize brand Coca-Cola, and we started having some weakness in flavors that happened in Mexico.

**Ian Craig:** I would say, I mean, if the large investments that we put in together with the supply chain initiatives, we don't have an availability issue in Mexico anymore. That has been solved, not only for CSDs, but for steals[?] as well. So it's a large improvement in order fulfillment, almost one, 1.4, 1.5 points there that we're much better prepared to enter into the high season today. That being said, like I mentioned, last year's high season was coupled with a heat wave. So it was very intense. This year's high season, our weather forecast is going to be more normal weather. So you couple the fact that we have more capacity online, we're better prepared. But it will be a more normal weather if the models pan out. I mean, we should have a good benchmark in terms of customer service this year vis a vis last year.

**Enrique Morello:** That's clear. Thank you very much.

**Ian Craig:** Thank you.

**Operator:** Thank you, Mr. Morello. I'm sorry to interrupt you, sir. Our next question will be coming from Alejandro Fuchs of Itau. Please go ahead, sir.

**Alejandro Fuchs:** Thank you, operator. Gerardo, Jorge and team, thank you for questions. I have two quick ones from my side, if I may. The first one is for Ian. Wanted to see now with the full rollout in Brazil of Juntos+ Advisors, I wanted to ask you, when should we expect this to come to Mexico? And maybe what could\ you see coming from Brazil to Mexico that could be comparable? And the second one for Gerardo, real quick. We saw material worsening of working capital dynamics, especially on basis of payables this quarter. Wanted to see if you can give us some color of what is driving this and what do you expect this to continue going forward? Thank you.

**Jorge Collazo:** Hi, Alex. So yes, in Brazil, you know you're onto something that works very well for the team when they accelerate the rollout because they're really seeing the benefits of the implementation of the tool. So what happened in Brazil is we already finished the full rollout, and the team is very happy there. We increased efficiency almost four points combined coverages which go directly to share. And you see that in the Brazil numbers. Almost 3.6 points in CSDs, over a point in steals. So I mean for us, Juntos+ Advisor is a game changer. We're now ready to start the rollout in Mexico. The Mexico team is heading down to Brazil to see all of the processes that are necessary behind the implementation of the tool. Because it's not only the tool that you put in there, but the processes between the trade marketing teams, the sales service structure and commercial. And then you roll it out.

We should be doing that I think around June, July of this year. So like I stated in the prior call, we expect to have both Mexico and Brazil fully rolled out this year. So that for us is a very, very good tool. It's right now without the order entry module. So it's all of the modules that are out there are to help the pre sellers be more productive and more effective. And we're starting in Brazil with the order entry functionalities, and those are also going very well. So once we add the order entry functionalities, it just takes it to an additional level because we won't only be using the advisor tool as a, let's say, salesforce enabler, but also as an order entry tool. So it's moving very well. Alex, I don't remember the other part of the question.

**Alejandro Fuchs:** Working capital.

**Gerardo Cruz:** Okay, Alejandro. Regarding working capital, we have two main factors impacting working capital this year. And this is from our budget. It's not a surprise. It's by design. And it's connected to something that Ian has talked about during the call. And this is as you remember, last year, we had high unavailability in most of our markets, but especially in our two largest operations, Mexico and Brazil. This resulted in consuming inventories way more than usual below our regular safety inventories to be able to reduce as much as we could that unavailability this year. We're replenishing those inventories throughout the year. We expect that this will continue to be an important effect for the remainder of the year. And the other impact is in accounts payable. As you know, we're in the process of migrating our ERP to S/4HANA version of SAP. And during this process, during this year, we have higher payables. We have lower payables as compared to last year with the regular development of that project. And also, that will continue to be a case for the remainder of the year.

**Alejandro Fuchs:** Thank you. Very clear.

**Operator:** Thank you, sir. We'll now move to Lucas Ferreira of JP Morgan. Please go ahead, sir.

**Lucas Ferreira:** Hi, guys. I have two questions. The first one is if you already see some positive results of these changes you're conducting in Mexico's, let's say, go to market and pricing make strategies to adjust for the tougher environments. If you already see kind of improving results in the month of April, and if you think that sort of a slower start of the year changes the whole year budget or is something that you think you can catch up later, like you mentioned, second half should be of easier comps.

And the second question on Brazil, you guys mentioned that you see still opportunities to improve margins. So if you can give more details on this, if it's just like fix the cost dilution, increasing volumes, or if there is any other initiative or mix changes. And if you see in Brazil, any deceleration of the consumer given sort of hear the inflation, inflationary environment, food inflation going up. So, if you think there, there could be also some maybe deceleration in the consumption in the region. Thank you.

**Ian Craig:** Hi, Lucas. I'll give a broad context. And then, Jorge, you can enter into the specifics on the views for the year. So like I mentioned to Enrique, the share impact that we saw in February with the adjustments that we did, we have fully recovered that in the modern trade, and we are on our way if things keep trending as they are to recover that in the traditional channel. That being said, Lucas, this has come about, like I said, under an environment of increased competitive intensity. So that has not changed. So what I mean is you see a lot offers and promotions out there in the marketplace, and that was something that we did not have factored into the year. So we had factored in a tougher first half comp, but we did not factor in this level of competitive intensity.

So we're adjusting for that. And I think it's prudent for us with the level of uncertainty that's out there in general in the world. I'm not saying specific about Mexico, but it certainly spills over to Mexico, especially given where the geopolitical tensions are right now, that we think there will be this type of uncertainty and increased competitive intensity, at least for the full of the first half. So that's what we're preparing for. We're not foreseeing a respite in competitive intensity for the whole of the first half. And that was not in the initial, let's say, plans in terms of that. But like I mentioned, our share is trending, is recovered in the monetary and is trending in the right direction in the traditional trend. It's much trickier to have a tactical calendar, 360 plans flow through there. So it takes more time.

In terms of Brazil, the margin expansion and improvements are coming like you anticipated a lot from operating leverage, fixed cost absorption. But there's also benefits flowing through from where we're installing our capacity. So the lines that are coming online in Brazil are where we need them to be, are in the most profitable segments, which are CSDs. So all of that is going to be adding and we expect accretive and helpful margins in Brazil. We are not seeing a slowdown in our territories in the consumer. But it's also, I think, prudent to say that weather has been good in Brazil. So, I don't know, maybe in other regions we're seeing softer volumes. In Brazil, still growth but softer volumes.

But in our region, we're not seeing that. I can't account for the fact that how much of that is due to weather, or whether our consumer is still very resilient. And in the case for us in Brazil, I'm not saying that this is an easier year because I don't want my operators to slack off there, but they have a very good comp starting May just accounting for what happened. Losing one plant, which was 10% of our volume, having to buy cases from other bottlers, having to ship those cases very large distances, so it's just an easier comparison for us in Brazil starting May as well. Jorge, do you want to get into -

**Jorge Collazo:** Yeah. I think, Lucas, I think the answer for me is quite comprehensive, and I think he mentioned the view of definitely a softer start of the year, particularly in Mexico, to the expectations. And we do see that the tactical calendar and the initiatives that we are implementing are starting to drive some results. And especially when we move towards the second half, we should go back to our positive momentum. On the other hand, offsetting part of the slower start that we saw in Mexico and Central America, we saw very positive performance from South America. So that I would say, give us a cautiously optimistic view about the budget. I wouldn't say we are materially adjusting anything. What I would say is that what we did adjust is finding those initiatives, efficiencies where they are. And in case things continue uncertain, we can rapidly activate those efficiency initiatives.

**Lucas Ferreira:** Perfect. That's great, guys. Thank you very much.

**Jorge Collazo:** Thank you.

**Operator:** Thank you, sir. We will now move to Renata Cabral of Citibank. Please go ahead. Your line is open.

**Renata Cabral:** Hi. Thank you so much for taking my question. Thanks for the opportunity. So my question is regarding the Mexican consumption environment. Was it possible to understand if some of the weaknesses in terms of volumes in Mexico is related to the Coca-Cola brand sentiment against the United States because of the current environment on tariffs. So I'd like to have your view on that. And the second question is still related to Mexico. Regarding the calendar shift for the Easter holidays, for us, it's more unclear to understand the impact on the retailers. But I would like to hear if that is also meaningful for you in terms of impact in volumes. Thank you so much.

**Gerardo Cruz:** Hi, Renata. How are you? Yeah, I would say that what we saw in Mexico during the first quarter, we believe it's a result of several factors. We saw that competitiveness that Ian referred to. When you tour the market in Mexico, you see a lot of competitiveness, a lot of promotional activity from many, many brands. On top of that, geopolitical tensions, softer consumer sentiment and the tougher weather that we also saw. I think that those were that mix of factors. The calendar effects that you mentioned, and I will connect that to the second part of your question, also play a role, but I wouldn't say that for us are as relevant as for retail, for example. But what we do see, for example, in years like this, when the shift of Easter happens, like in mid-April, because sometimes Easter moves to the second quarter, but is at the beginning of the month of April.

So you still see all of the orders and the loading of inventories during the first quarter, which is not something that we saw in years like this. But I wouldn't say, as I mentioned, that it's a very relevant factor. For us is less than, I would say, less than 1% of our volume shift. So it's not that material, because usually what happens is that people move from big cities, but you catch that volume from people moving to resort cities and all. But as I mentioned, I think what happened in Mexico was more of a combination of factors. And it's something that we have been seeing since the second half of 2024, that slower consumption environment, a little bit of a deceleration that continued into the first quarter. And if anything, uncertainty increased.

**Renata Cabral:** Thank you so much.

**Operator:** Thank you. What's your question, ma'am? Next question will be coming from Mr. Antonio Hernandez of Acton[?]. Please go ahead. Your line is open, sir.

**Antonio Hernandez:** Hey. Good morning. Thanks for taking my question. Just a quick one regarding your performance in Mexico. On a regional basis, are you seeing perhaps more pressure on the South because of the comps? I don't know if because of the competitive environment, macro conditions. What are you seeing from a regional perspective in Mexico? Thanks.

**Ian Craig:** Hi. Yes. I think that you're right. The performance is not the same across regions. Specifically in the southeast with some of the projects, the infrastructure projects nearing completion, that in itself has a lower amount of cash and consumer circulation. So you're right that the impact or the softer environment is not even across all of our territories. But in general, there is this software environment and increased competitive intensity. So it's a bit tougher in the southeast. I think that's a precise appreciation, yes.

**Antonio Hernandez:** Okay. And the same comments that you provided regarding Mexico on a month-to-month basis. Does that apply also on a regional perspective or maybe trailing a little bit better in some regions or states?

**Gerardo Cruz:** Yeah. Antonio, I would say on monthly performance it's mixed. For example, just to give you a sense, in Mexico and Central America, definitely March was tougher, as Ian referred to, Guatemala as well. But then if you move to South America, Argentina is trending even better in March than at the beginning of the quarter. But what I would highlight, perhaps, is that the two markets where we saw a tougher quarter, Mexico, Colombia, we did see a March that towards the end of the quarter was tougher. But what is encouraging as well in certain markets, Mexico, Colombia, Guatemala is that after April, May, we're going to start seeing some easier comps, for example, in Colombia and Guatemala. So what I mean by this is that I don't want to give necessarily the perspective that if March is worse than February, that things are going to be moving in a straight line. That's not what we expect. It's not going to move in a straight line, and we have to be mindful of that.

**Antonio Hernandez:** Okay. Thanks for the call. Great.

**Gerardo Cruz:** Thank you.

**Operator:** We're going to go to Alvaro Garcia of BTG. Please go ahead.

**Alvaro Garcia:** Hi. Good morning, Gerry and Jorge. I have two questions. One for Ian. I was wondering if there was an update on how Spin might play a role alongside Juntos in Mexico. And my second question is for Gerry on the outlook for CoGS. You noted the lower sweetener price in the release. I was wondering if that's the case for the rest of the year, and maybe if you could provide sort of just an update on the outlook for PET and sweeteners across your key markets. Thank you.

**Ian Craig:** Hi. Regarding Spin, I would say that there have been a lot of good learnings collected from the Puebla pilot. I think that the Spin team is processing those learnings together with our team. They are adjusting some of the things that they think could make it even more attractive or of interest of easier entry and to capture new customers. And they're going to be testing that as well together with us. And at some point, probably this same year, there should be decisions there of how they want to scale it or not and in which format. So I don't have those final decisions yet. I think there's a lot of good collaboration and learnings going on, and probably during this year they should reach the learnings of whether this will be scaled and in which formats.

**Gerardo Cruz:** Alvaro, regarding cost of goods sold. As you pointed out and in the prepared remarks, we made reference to it. Sweeteners are providing better or significant relief to our cost of goods sold throughout our operations. And we do expect that we will see a continued benign sweetener environment for the remainder of the year. For the case of PET, basically sort of the same story. We're seeing both energy prices coming down as well as the refined products like the one that we use. Mostly PET, so we do see pet prices coming down. And we're also taking advantage to increase hedge positions further out even beyond 2025 to take advantage of lower PET prices that we're seeing. The only, I think, raw material that we are seeing with a little bit of pressure is aluminum. But as you know, and it represents a small portion of our mix in all of our operations. So it is something that really does not concern us in a significant way.

**Alvaro Garcia:** Thank you.

**Operator:** Thank you, Mr. Garcia. Ladies and gentlemen, once again, if you have any questions or follow up questions, please press star one at this time. We'll now go to Ulises Argote of Santander. Please go ahead, sir.

**Ulises Argote:** Hi, guys. Thanks for the space for questions. Just one quick one here from my side to see if you can help us quantify the impact on the insurance payments in Mexico. Just to get a bit of a sense of comparability on the numbers. Thank you.

**Gerardo Cruz:** Yes, Ulises. For this quarter, we had a net effect in Mexico of 65 million pesos in favor. This is net from expenses that we saw for in the quarter, for 75 million pesos and insurance recovery for 140 million pesos. So the net effect that we recorded in the PNL was a benefit of 65 million pesos in the quarter.

**Ulises Argote:** Thank you. Thank you very much.

**Operator:** Thank you so much, sir. As we have no further questions at this time, let's turn the call back over to Mr. Collazo for any additional or closing remarks. Thank you.

**Jorge Collazo:** Thank you very much, everyone, for your interest in our company and for joining us on today's call. We look forward to seeing you again soon. And in the meantime, in case you have any remaining questions, myself and the rest of the IR team, we are available for any remaining questions. Thank you very much.

**Ian Craig:** Thank you.

**Operator:** Thank you. Ladies and gentlemen, that will conclude today's presentation. We thank you for your attendance. You may now disconnect. Have a good day and goodbye.

[END OF TRANSCRIPT]