

21-Apr-2020

**The Coca-Cola Co. (KO)**

Q1 2020 Earnings Call

## CORPORATE PARTICIPANTS

### Timothy K. Leveridge

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

### James Quincey

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

### John Murphy

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

## OTHER PARTICIPANTS

### Steve Powers

*Analyst, Deutsche Bank Securities, Inc.*

### Bryan D. Spillane

*Analyst, Bank of America*

### Nik Modi

*Analyst, RBC Capital Markets LLC*

### Dara W. Mohsenian

*Analyst, Morgan Stanley & Co. LLC*

### Bonnie Herzog

*Analyst, Goldman Sachs & Co. LLC*

### Kaumil Gajrawala

*Analyst, Credit Suisse Securities (USA) LLC*

### Lauren R. Lieberman

*Analyst, Barclays Capital, Inc.*

### William B. Chappell

*Analyst, SunTrust Robinson Humphrey, Inc.*

### Robert Ottenstein

*Analyst, Evercore ISI*

### Andrea Teixeira

*Analyst, JPMorgan Securities LLC*

### Laurent Grandet

*Analyst, Guggenheim Securities LLC*

### Carlos Laboy

*Analyst, HSBC Securities USA, Inc.*

### Kevin Grundy

*Analyst, Jefferies LLC*

### Sean R. King

*Analyst, UBS Securities LLC*

## MANAGEMENT DISCUSSION SECTION

**Operator:** At this time I'd like to welcome everyone to The Coca-Cola Company's First 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 Chairman and Chief Executive Officer; and John Murphy, our Chief Financial Officer.

Before we begin, I'd like to inform you that we posted schedules under the financial reports and information to have in the Investors sectors of our company website at [www.coca-colacompany.com](http://www.coca-colacompany.com). These schedules reconcile certain non-GAAP financial measures, which may be referred to by our senior executives during this morning's discussion to results as reported under generally accepted accounting principles. I would also like to note that you can find additional materials in the Investors section of our company website that provide an analysis of our margin structure.

In addition, 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.

Following prepared remarks this morning, we will turn the call over to your questions. We recognize there will be a good deal of questions. Please limit yourself to one question and if you have more than one, please ask your most pressing question first, and then reenter the queue.

Now let me turn the call over to James.

---

### James Quincey

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Thanks, Tim, and good morning, everyone. I'll start by noting that we're operating in truly extraordinary times, times of great challenges, but also times in which we can see many opportunities ahead. First and foremost, on behalf of our company and our entire system, I'd like to share our deepest sympathies with all those who have been affected by this global pandemic.

We also sincerely thank those who have been working to keep all of us safe through the crisis, particularly those on the front lines in the health care community. I also want to recognize our system associates, who are ensuring we can continue to supply beverages all around the world.

We're still in the most intense first stage of the crisis in many places, if not most of the world. Through it all, we remain grounded in our purpose to refresh the world and make a difference. We start with employee health and safety, which is paramount, followed by business continuity and our support of communities around the world.

The vast majority of our office-based employees are working remotely. For those associates in our manufacturing and distribution facilities, we're using enhanced hygiene and sanitation practices. Through these practices, we're ensuring our system associates are well, and our products are safe and that they're delivered safely to our customers and consumers.

We're closely linked with our bottlers on business continuity, which includes contingency planning for our global supply chain. And thanks to this hard work, efforts across the whole system, we don't foresee any material disruption at this time. It's important to note that our business has a long heritage of supporting communities in times of need.

The Coca-Cola system has made significant commitments to support relief efforts in markets impacted across the globe. Our system is committed to contributing more than \$100 million and is focused on community relief programs, medical supplies, and equipment during the outbreak phase, as well as on developing other actions for the recovery phase in markets hit hardest by the pandemic.

The commitments to-date include a \$40 million charitable grant in The Coca-Cola Foundation. We are working collaboratively with governments at all levels, federal, state, and local, to help steer the nation and the world towards recovery. We are all confident that we can, with the communities we proudly call home, rebound if we all work together for a better future.

Now, as we look to the future, we recognize these are truly unprecedented times and for that reason, we will take a different approach to our guidance and our discussion today. Recognizing that the operating backdrop has changed rapidly in the last several weeks, we will spend limited time discussing our first quarter results.

In addition, given the great uncertainty of the current environment, we feel it's prudent to hold off providing fiscal year 2020 guidance. We expect to come back in our second quarter call in July with greater clarity.

Today I'd like to share: one, what we've been learning and observing as the situation evolves; second, the actions we're taking now both to adapt to the current environment and to best position ourselves for the future; third, and finally, what gives me confidence that we will emerge even stronger; and lastly, I'll turn it over to John to discuss our financial strategy.

The first quarter began with good momentum, coming off strong results in 2019. We were successfully executing our long-term strategy. Through February, we had solid broad-based strength across the globe, with the exception of China, where the progression of the virus was already well ahead of the rest of the world. Looking at it, excluding China, our business was growing volumes 3% and we were continuing to gain value share.

But as shelter-at-home and social distancing practices increased rapidly and globally, there has been temporary and profound pressure on our customers and our business. The biggest impact has been a sharp decline in the important away-from-home portion of our business, which includes our eating and drinking channels, as well as our on-the-go orientated channels like convenience retail.

While our exposure varies across markets, away-from-home broadly represents about half of our business, given our strong share positions. In some markets, like the US, drive-thru operations and carryout helped offset some of the pressure, but most restaurants are operating on limited hours and are seeing overall trips decline sharply.

In the at-home channels, we've seen some early pantry loading, particularly in certain developed markets, at the beginning of many of the lockdown phases. Then, as we get past the initial phase of the lockdown, however, we're seeing levels normalize. In other markets, like India, for example, the severity of the distancing measures has negatively impacted at-home as well, simply due to the significant reduction in shopping trips. At this stage, it's a little too early to determine exactly what level at-home trends will stay like that.

We've also seen a significant increase in e-commerce channels, where we have been accelerating our presence versus the pre-crisis. However, given the net effect of these shifts, we expect a temporary, but significant impact on our business in the second quarter, primarily coming from the slowdown in our away-from-home business. For context, if we look at our April month to-date trends, we are seeing volumes down globally approximately 25%, driven by the sharp declines in our away-from-home businesses. Fortunately, based on the latest projections, we do expect the second quarter to be the most severely impacted.

With that said, there is still a good deal of uncertainty around the trajectory of the pandemic, as well as the resulting macroeconomic impact. While we're seeing different impacts across geographies and at different times, generally we expect three phases: the outbreak with its corresponding social distancing measures; a period of graduated re-openings; and finally, a return to new normal. Consumer mindsets and shopping behavior will be different in each phase, and they'll vary across markets. But we foresee some similar patterns that I'll discuss in greater detail.

Of course, we can look to China for some early learnings about the various phases. I'm happy to say that our plants there are all operating, and employees have returned to the company offices in Shanghai. We're seeing encouraging signs of increased consumption as outlets reopen, resulting in sequential improvement in China. However, the consumption is still lower than prior year and we expect a full recovery to take time, especially as there are still limits on crowd sizes.

As we anticipate a recovery in China, we're planning key actions with bottlers to regain momentum, including a pre-summer sale promotion and increased cooler placements. We will follow the strategy that has proved successful before the pandemic, adjusted with greater focus on channels and packages that will have traction as the new normal unfolds.

While we're encouraged by the improving trends in China, we recognize other countries may not follow the same trajectory and changes in social distancing practices may be gradual. And the situation in China can certainly continue to evolve. It is simply too soon to estimate exactly what might lay ahead.

That's why we're taking swift action now to adapt in the near-term, while best positioning ourselves for success later. Our global workforce is a critical asset, and protecting people and roles is a high priority. Teams around the world are being asked to work differently and they're rising to the occasion. We have implemented real-time network collaboration routines to accelerate knowledge sharing. We're adapting local market strategies across our system, including supply chain, stakeholder engagement, and workforce management. We've adopted dynamic resource allocation practices in many regions matching people to projects and scaling the best ideas across geographies.

In many ways, the strategy we laid out at CAGNY remains the same, centered around brand building, innovation, revenue growth management, and execution. Having the ability to dial-up and recalibrate aspects of that strategy is critical in this environment.

A culture of agility is key. We are working seamlessly with our bottlers and retail customers to meet real-time demand, given the rapid shifts in customer patterns. Bottler alignment has never been more important and the work we've done to strengthen the system in recent years is bearing fruit in stepped up execution.

For our retail customers, grocery stores, for example, we're focused on maximizing system efficiency by ruthlessly prioritizing to deliver on core SKUs and key brands, and help customers simplify their supply chains. We're also taking this opportunity to reshape our innovation pipeline to eliminate a longer tail of smaller projects and allocate resources to fewer, larger, more scalable, and more relevant solutions for this environment.

With shoppers spending less time browsing, it's crucial that we work to minimize out-of-stocks and maximize share of visible inventory. In markets around the world, we've redeployed on-the-ground sales reps, especially those orientated toward the on-premise trade and refocused them on merchandising, resulting in increased share of displays and stock on the floor.

As consumers adjust to stay-at-home lifestyles, they're making fewer shopping trips and filling bigger baskets often based on availability and orientate to known, trusted brands. Therefore, we are working with our customers to maximize promotional effectiveness and reconsidering multi-pack promotions and frequency, to ensure the mix of our product and packaging offerings are meeting their needs.

Our consumer-centric total beverage strategy has enabled us to deliver products that shoppers want when stocking up on essentials, whether it's to refresh, hydrate, or provide functional benefits. We also recognize the importance of customers, both big and small, and are working to support independent retailers.

We're implementing measures to support small retailers in many countries. For example, in Brazil, mom-and-pop stores face mounting pressure and they are a key pillar not only of our business, but local communities. We have played a leading role in the formation of the Small Trade Activity Recovery, or STAR Program. Along with consumer product peers, the STAR coalition will connect companies, governments, and small retail associations to help small and medium retailers.

We've also experienced an upsurge in e-commerce across the globe, with the growth rate of the channel doubling in many countries. Consumers are getting necessities delivered to their door, in many cases with contactless delivery.

Revenue growth management plays a key role in our current strategy as we shift towards package sizes that are fit-for-purpose online sales and as we reallocate consumer and trade promotions to digital. For grocery e-delivery companies, we've increased in-app visibility with a focus on multipacks, so consumers can access our beverage within a click's reach of desire.

We are also acting fast to address the needs of restaurant partners as they adapt to the current environment. In North America, we've offered our food service restaurant partners an alternative to fountain drinks by assuring bottle or can availability for delivery. In the US, we've partnered with the national leading food aggregator to increase our product profile and accelerate customer menu optimization via included beverage options and value bundles. Also, we've recently played an active role in The Great American Takeout movement with the National Restaurant Association.

We're also being mindful about the right level of brand marketing and new product launches, given the consumer mindset across markets. We've developed and determined that in this initial phase, there is limited effectiveness to broad-based brand marketing. With this in mind, we've reduced our direct consumer communications. We'll pause sizable marketing campaigns through the early stages of the crisis and reengage when the timing is right.

These plans will vary from market-to-market, with our earliest re-engagement focusing on the recovery in China. At the same time, we are leveraging our associates to address longer-term opportunities, recognizing that near-term realities will subside.

Looking ahead, we may not know the exact shape of the recovery, but we are taking actions today to be prepared for the future. For the recovery phase, RGM is key as we prepare to strike the right balance of affordability on recruitment packs in addition to premium offerings. This is one area where we are much better positioned versus our system 10 years ago, when our portfolio and SKU optionality was not nearly as sophisticated as it is today.

We'll also embrace some seismic consumer behavior shifts that are taking place, especially in e-commerce. We believe the accelerating expansion of the channel is sustainable and we want to continue to be well-positioned for long-term growth.

We are investing in digital capabilities to strengthen consumer connections and further piloting several different digital-enabled initiatives using fulfillment methods, whether B2B2Home or D2C platforms in many countries to capture online demand for at-home consumption in the future. We're seeing good results in these early days and are looking to scale similar partnerships with more customers.

In times when a crisis is hit, it can be easy to lose sight of the long-term, but we will continue to build a more sustainable business in the future. Late last year, we refreshed our purpose statement, to refresh the world and make a difference. And our company's purpose is now more important than ever. Tomorrow the company will publish its 2019 Business & Sustainability Report, reflecting a continued journey towards driving a more sustainable business.

While there are still many unknowns ahead, we do know that over 134 years of business, we've seen many types of crises, be they military, economic, or pandemic. And The Coca-Cola Company has always emerged stronger in the end. We are in a better position today than we were heading into previous periods of challenge.

We've made meaningful progress in accelerating our capabilities, reshaping our bottling system, pivoting our portfolio, and transforming our culture. Undoubtedly, there will be ups and downs in the coming months. But with our bottling partners, we are clear on what needs to be done, both now and into the future: to manage our business, focus our strategies, accelerate our actions, and redirect our investments.

With that, I'll turn the call over to John.

---

### John Murphy

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

Thank you, James, and thanks to all of you for joining us. I'd like to complement James' remarks with a particular focus on the following areas: our people, 2020 profitability and cash flow, capital allocation priorities, our bottling system, and our post-COVID readiness.

It may be a little unusual to start the finance review on people, but in these times it is absolutely the right place to start. The manner in which we have seen sacrifice, commitment, resilience, and adaptability in the past weeks has stood out, and we have been able to accomplish things, which in normal times would've seemed impossible.

As with many companies, job security is a concern for our people, and for us, it has been a key priority as we navigate through this period. Where necessary, we have furloughed some employees and we have done so on full pay through June. The length, severity, and overall impact of the crisis will ultimately determine how we will come out of this, and we will be very thoughtful on our approach.

What we do see, as James mentioned, is a lot of redeployment, enabling the company to pivot quickly to the work that matters most in these times. The agility we are seeing across the world in this regard has been impressive and is opening the door to new ways of working that are allowing us to be a lot more responsive.

For me, some of the work that matters most is smart use of the many levers we have at our disposal to maximize profit and cash flow. On the revenue side, we have made substantial changes to our brand/pack portfolio focus and are leveraging the playbooks on affordability and value that have served us so well in past crises around the world.

On the expenditure side, I will divide it into four key focus areas and with a particular emphasis on quarter two. One, as James mentioned, we have been pulling back on our marketing spend for now. Staying close to our consumers in a relevant way is a key guiding principle and staying disciplined to demand an appropriate ROI is a close second.

Two, we are taking a similar approach with our trade dollars. As much of that spend is managed by our bottlers, in both our bottling investments and North America businesses, this is an important area to effectively manage and be willing to reengineer.

Three, we are attacking all discretionary operating expenses and challenging what is essential, and making sure every dollar being spent on services, travel, meetings, et cetera, is appropriate.

And four, we have paused all capital spend, other than what is absolutely essential or has already been committed. By moving quickly and decisively we will avoid waste, improve ROI and spend, and give us maximum flexibility for the second half of the year as we gain clarity on the outlook.

Finally, as a quick reminder for your models, the reductions to marketing and trade spend will get phased over the balance of the year.

Our capital allocation priorities should be framed against our liquidity position on our balance sheet. With the actions taken since March, our overall liquidity is strong, and so too is our balance sheet. We will, of course, continue to focus on protecting the progress we made on working capital and free cash flow in 2019. And in this context, our capital allocation priorities remain very much focused on investing wisely to support our business operations and continuing to prioritize our dividend.

Specifically with regard to the dividend, we currently have no intentions to change our approach. Regarding M&A, we do not foresee any significant activity going forward this year, nor do we intend to repurchase shares. We are also mindful of staying close to the debt range we have previously highlighted. We will, of course, review our overall approach to capital allocation as we know more about the length and severity of the crisis.

James spoke earlier about how our global bottling system is adapting to the coronavirus pandemic. I cannot overstate the admiration we all have for everything our bottling partners are doing to stay close to their people, their customers, and their communities. Many of them are battle hardened when it comes to managing crisis, and I know they are proactively taking steps to preserve cash, strengthen their balance sheets, and manage their P&Ls.

Currently, we do not have any major concerns surrounding our bottling partners from a liquidity perspective, and we are working closely with them to anticipate and deal effectively with a scenario where the coronavirus situation is longer and more severe than currently anticipated.

As we noted in our release, we are unable to provide an update to our full year 2020 financial outlook. We expect to have a better picture of how the recovery will unfold when we report our second quarter results in July. Meantime, I would like to highlight the following.

In looking at currency impacts for comparable net revenues based on current spot rates and including the impact of hedge positions, we expect a mid-single-digit full year headwind. For comparable operating income, also based on current spot rates, expect a high-single-digit headwind, with most of the headwind coming from our developing and emerging markets. We still expect the company's underlying effective tax rate to be 19.5% for the year.

Looking ahead, it's important that we adapt quickly to the current environment, while also best positioning ourselves to win in the post-COVID world. Emerging stronger from this crisis demands a willingness to challenge the status quo. And to that end, we are using this time to do just that. The last couple of months already taught us how to do many things very differently.

In closing, let me say I have never been more proud to be a part of the Coca-Cola system, or indeed more optimistic. It's a testament to the cultural transformation taking hold across the organization. Our people and the strategic alignment of our system gives me the confidence in our ability to not only manage through the current crisis, but to emerge from it stronger.

With that, operator, we are ready for questions.

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question comes from Steve Powers with Deutsche Bank. Your line is open.

**Operator:** [Operator Instructions] Our first question comes from Steve Powers with Deutsche Bank. Your line is open.

**Steve Powers**

*Analyst, Deutsche Bank Securities, Inc.*

Thanks. Hi, guys. Good morning. Hope you're well and thanks for all that detail. I guess, building on where you focused your prepared remarks, James, I think everyone on the call is likely trying to tease out to some extent the depth and duration of what hopefully is a bottom in 2Q, and then how the system is likely to emerge on the backside.

When you think about what you and your bottling partners have seen thus far in China, but also Italy, elsewhere in Europe and the US, are there common experiences, whether positive or negative, that you can pass along that can help us better get underneath that question? And how are you handicapping the forward prospects in key emerging markets, like Brazil or India, where, arguably, the implications that are just now taking shape? Thanks.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Let me offer a few thoughts and see whether that helps. Firstly, there is a set of, in the famous expression, known unknowns here that heavily influence the shape of how long the virus crisis will last and the resulting economic crisis, and the degree of ups and downs of volatility on the way. And those known unknowns are all out there and we can't determine which way they're going to take us. And I think that's important, because while there are some learnings from the earlier markets, like China, South Korea, or even some of the European markets, we're still at the beginning. We're still at the beginning.

What do I mean by that? We can see the path of how China or South Korea or Singapore, some of those countries came into the crisis; how the lockdowns occurred by channel, by pack, by brand; the change in consumer behavior; and then being able to follow that journey as they have opened up and the thing has started to stabilize. And you can see China, we were doing great in January.

We had a fantastic start to the year, double-digit growth. It was a very profound lockdown in February, much deeper than the minus 25% we're currently seeing globally. And we started to build back up volatile from week-to-week in March. And we're kind of getting close towards neutral in China now, still below where we were last year and where we were in January.

But I think it's important to emphasize that doesn't mean it's over. We can see from Singapore or Tokyo, Japan, they have kind of a second wave of the lockdown. So what we see is very clear experiences on what happens in the first phase of the lockdown, pantry load, channel changes, et cetera, et cetera. And we've done a great job of moving those link around the world.

Now, we expect to see the next phase of the crisis come, which is post-generalized global lockdowns, we're going to see a graduated set of re-openings around the world. How long they will take to get from where we are now to the new normal depends on these known unknowns and could include further retreats to lockdowns, as we're seeing in a couple of countries. So we can't [ph] know the known (00:31:12).

What we can do is focus on what we're good at. We can focus on a few simple ideas. One, the beverage industry is a great industry. As I said on the call, every previous crises, military, economic, or pandemic, in the last 134 years, the Coke company has come out stronger. We've done that by doing essentially two things at the same time.

One, using the DNA of our system, which knows how to manage in an economic crisis resulting from whatever; manage the business on a day-to-day, week to week, quarter to quarter basis; having the flexibility and adaptability to do the right amount of brand building, innovation, revenue growth management and execution in the market.

But at the same time, have an eye on where is this going in the long term, such that as we work our way through the winding path of where the crisis takes us, we end up emerging stronger. And so I would emphasize, and that's obviously why we haven't provided full year guidance, we are still at the beginning. We may be at the end of the big global lockdown, but we are still some way from the new normal.

---

**Operator:** Thank you. Our next question comes from Bryan Spillane with Bank of America. Your line is now open.

---

**Bryan D. Spillane**

*Analyst, Bank of America*

Hey, good morning, everybody. So I guess just thinking about the comments, James, that you made about maybe changes in packaging and maybe linking that to as we get past this initial lockdown phase and thinking about the business maybe a year out, what is the sort of dynamic that you're sort of trying to focus on? Is it, one, a recession and a consumer may be more focused on value? Or is it the second being more the consumer-focused – changes to consumer behavior patterns, maybe consumers buying more e-commerce, more reluctance to have that away-from-home consumption? Just trying to understand how you're kind of thinking about how the business changes once we get past that lockdown phase. And again, does it imply maybe a greater shift to the at-home packaging versus away-from-home?

---

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Yeah, great question. Look, you could clearly see a set of clear trends on the packaging. I mean, in the lockdown, obviously, the away-from-home channels are down heavily, which means the immediate consumption packaging is down heavily and we're much more focused on at-home, which has been larger or multipacks. But it also sees a big step-up in e-commerce. We've seen a near doubling of the importance of the growth of e-commerce for us.

So once we get past the lockdown, I think we'll see an environment through these graduated re-openings, all societies still with the specter of the virus over us with the reality of an impacted economy. And I think what we're likely to see is a step change in some already ongoing trends, like a step-up in e-commerce. It is both economically attractive and kind of specter of the virus friendly, so I think we'll see a lot more e-commerce.

I think it will take time for the highest aggregation channels to come back, but I think they will come back in the end in a new normal. There will be new consumer behavior at that point in time, because ultimately, we are social animals. That aggregation will come back. But I think we're also going to see a very profound theme of affordability.

What we're seeing in the lockdown is not just the effect of the lockdown of certain channels, but I think an anticipation by the consumer of where the economy is going. There's going to be an economic impact during the phase of all this uncertainty. So we're going to see a lot more affordability. We've launched refillable PET back again in South Africa. We're investing in refillables in Latin America. We're really looking at how we can drive affordability [ph] for them (00:35:31).

So lot more e-commerce in the future. We're certainly going to see a profound theme of affordability coming up in the next few years. We're going see a lot of attempts by governments, by us as well, to support the smaller outlet base. Those will be the ones who have most suffered in the lockdown, whatever channel they are in. So we have been able to pivot, and we expect to continue to pivot at our brand marketing, our renovation, our revenue growth management, and the execution by the bottlers through each stage of this crisis as it moves forward.

And in the end, the crisis management DNA is out there in the system. We may not have faced a global pandemic in living memory, but all around the world in the system we have lots of managers who've been in countries which have faced crises. And as the specter of the virus lifts, what we'll be left with is an impacted economy, some new consumer behaviors, but impacted economy, and this is when the Coke system can shine and always has shone in the past.

---

**Operator:** Thank you. Our next question comes from Nik Modi with RBC. Your line is now open.

**Nik Modi**

*Analyst, RBC Capital Markets LLC*

Yeah, thanks. Good morning, everyone. James, you talked about really focusing on some core SKUs in order to have it in stock, obviously, with the demand surge. But can you talk a little bit about how your interaction with the retail community has been in terms of how they are thinking about some of the longer-lasting impact of the decisions they make in terms of how many products they shelf and the kind of assortment they carry, any perspective around that?

I know it's early, but I'm already starting to hear some of this coming back from the retail community in terms of how they're thinking about streamlining their assortment and portfolio choices. So just curious if you've been hearing the same.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Yeah, absolutely. And two things come together in the short term and they both work in the same direction, which is the crisis management of keeping the supply chain open, while we have all these restrictions in the period of the lockdown and the virus crisis. And then, I think you've got this likelihood of an impacted economy going forward for some period of time.

In both those circumstances, both of those things lead you to a similar set of actions, whether you're a manufacturer or an at-home retailer, which is to focus on the biggest, most important, most well-known brands, and affordability, and making sure you can get availability in store. I mean, we've had a lot of focus on supporting

the grocery customers, because, of course, we've got a strong bottling system that can deliver reliable supply onto the floor.

So we've seen ourselves be able to gain share of inventory in the store, because we've been able to sustain the supply chain, so really being able to be there for the customers, and execute and deliver product on the floor. But both us and them will also be driving to a rationalization on focusing on what's the most effective set of brands and SKUs to push through, which will mean a cutting of the longer tail in this coming period. Will more choice, more innovation come back when new normal and the economy reestablishes itself? Yes, I'm sure it will. But in this period, it's going to be a question of focus.

---

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

---

**Dara W. Mohsenian**

*Analyst, Morgan Stanley & Co. LLC*

Hey, guys. I hope you all are well. James, I just wanted to press a bit more on Steve's question, and I know it's hard to answer. But if one sort of makes the assumption that government mandated closures and the social distancing is [ph] gone (00:39:33) by the end of Q2, it doesn't reemerge this disease in a major way this winter, could you just give us some sense of the pace of recovery you're expecting on your business as you look out over the next few quarters?

And I'm trying to sort of separate out the direct social distancing impact more from the secondary economic impact as we look going forward. Is it more of a V-shaped recovery in your mind for your business, more U-shaped, or even L-shaped as we look through year-end 2020?

And then just taking a step back, thinking about 2021, obviously, you're not giving expectations anytime soon. But again, assuming the social distancing doesn't reemerge in a big way in the winter, how confident are you that whatever the volume degradation ends up being in 2020 is mostly recovered in 2021? Is it most of it? Is it hard to imagine a lot of that comes back? Just conceptually, how do you think about these things longer term? Thanks.

---

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Sure. I would love to be able to tell you there's an answer to that question, but there isn't. What we do know is we can see the shape of the social distancing measures into the coming months, and there are already governments that have distancing measures into Q3. We're very focused as – or everyone's picking up on the reopenings. Those reopenings, if we take Europe and the US in May and June, that people in government are talking about three phases, and they're talking about the reopening part of phase one, not yet two and three happening in the same quarter.

So, I think we will see social distancing measures for some period of time into Q3. Hopefully, they will not be as severe as the second quarter. Maybe they will last to the fourth, maybe not. We just cannot know. What we have to focus on is – in a way to use your alphabet soup of scenarios, the U, the V, and the L – we have to be ready in case it's a V. If it does bounce back, we don't want to have been so conservative, we are not ready for a spring back of the economy and the spring back of demand, and we want to be ahead of the curve.

I have said before, I don't think the V is the most likely scenario. But we will be ready if it occurs. The U, clearly, you want to take the middle scenario we understand, and certainly I think the U is more likely than the V and how

that's going to go forward. And clearly, we need to prepare to act on that one with a lot of the measures we took. Is the L possible? Yes, the L is possible too.

Our approach is to make sure we are both flexible and ready, and have the plants charged and ready to go when the springback comes. We also need to manage the recessionary period and the lockdown period and social distancing period with specific and tailored plan to do the best we can and those things. And, of course, we need to be prepared and understand that if it is the L or anything along those lines, we need to have given ourselves the flexibility to respond to those scenarios as well.

So, the key that we are focused on is, how we anticipate the scenarios that could be ahead of us across the whole range? How do we give ourselves the flexibility to act on them and make sure we manage the business day-to-day, week-to-week, month-to-month, quarter-to-quarter to get the best possible result as we go along this winding path, because we cannot see over the horizon, and yet retain the focus that by the end of this crisis, The Coca-Cola Company will have emerged stronger and be a better setup for the long-term, as it has always done in every previous crisis for its 134 years.

---

**Operator:** Thank you. Our next question comes from Bonnie Herzog with Goldman Sachs. Your line is now open.

---

**Bonnie Herzog**

*Analyst, Goldman Sachs & Co. LLC*



Hi. Thank you. Good morning, everyone. I was hoping you could give us a little more color on what you're doing to ensure your supply chain really is accommodating some of the demand volatility that we've seen in recent weeks? And how is this different in the US versus across some of your emerging markets, for instance?

And then along those same lines, you probably have a lot of excess capacity at this point for servicing restaurants and your fountain business. So, curious how you manage that side of your supply chain, given there's probably a lot of excess capacity there. Thanks.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*



Sure. We're clearly very focused on adapting the supply chain. And if I break it down into a few pieces, there is, of course, sourcing the ingredients that we use in the concentrate and in the bottling plant, our own concentrate manufacturing or fountain manufacturing, the bottling plants, and then on through the distribution. There have been a lot of challenges. But I would like to congratulate the supply chain teams at the company and at all of the bottling partners for the incredible work they've done at basically keeping everything running.

I was certainly on record a few weeks ago saying the supply chains around the world will be creaking. There's been a lot of pressure at the borders, whether it's the province borders in some countries or country-to-country borders in other parts of the world, moving some of the ingredients that are basically shipped around the world. But once they're within the country, which is the [ph] larger of things (00:45:12), the great advantage of the Coke system is that the Cokes are made locally.

All our drinks are basically made locally. The drinks in the US are made in US. The drinks in Germany are made in Germany. The drinks in Kenya are made in Kenya. And so, the local supply chain is then able to work designated as part of the food system, so an essential service, to allow to run the production systems and

distribution. So we've had some issues on timing of ingredients. Those are much better than they were a few weeks ago.

Production facilities are largely running. We made a lot of adaptations to ensure safety and sanitation and security for the employees. And that's true of the concentrate plants and most of the bottling plants. Just a couple of places that we see some plant shutdown. And then distribution, we've largely kept up and running everywhere and doubled down on that. And, yes, there are issues in the odd countries here and there on availability in some of the logistics, for drivers or having to swap drivers at borders.

But generally speaking, we've been able to adapt and it's a great strength of having ultimately a local supply chain in each country. And, yeah, there are some parts of the supply chain that are running 24/7 and there are some parts, like the fountain supply, that are much more low utilization. And we'll have to manage through that as we see how these graduated reopenings start to take place in the coming months and quarters.

---

**Operator:** Thank you. Our next question comes from Kaumil Gajrawala with Credit Suisse. Your line is now open.

**Kaumil Gajrawala**

*Analyst, Credit Suisse Securities (USA) LLC*

Hi. Good morning, everybody. John, if you could just maybe link two things you talked about. You mentioned comfort in your liquidity, in the various areas of liquidity you have available, as well as the small conversation about the bottlers and such. But can you link them in some way that if we do end up in an environment where some of the bottlers need some assistance, do you feel like you have the liquidity to either buy them in again or perhaps bail out, or will something like that need to be reliant on consolidation within the bottlers?

---

**John Murphy**

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

Thanks, Kyle. Let me frame the liquidity position that we have and indeed some of our bottlers. First, as I mentioned, we've taken quick actions in March to anticipate whatever the outcome in the back half of the year, good, bad, or indifferent. Keep in mind that with our bottlers, over 50% of our business globally is in the hands of our large publicly owned bottlers, all of whom came into 2020 with strong balance sheets and I believe are doing a very good job also to anticipate a number of different outcomes for the year.

We are staying very close to all of our bottlers around the world, small, medium, and large, and it will be on a case-by-case basis as to what eventually happens in the coming months. But we feel that we have plenty of gunpowder available to manage whatever situation evolves in that period. So, all in all, we're confident in the overall strength of the system to withstand the coming months.

---

**Operator:** Thank you. Our next question comes from Lauren Lieberman with Barclays. Your line is now open.

**Lauren R. Lieberman**

*Analyst, Barclays Capital, Inc.*

Great. Thanks. Good morning. I was hoping – you talked a lot about the various actions that you're taking on operating expenses and so on, and abilities to protect profitability from that perspective. But when we're also thinking about gross margins, I was hoping you could just try to weave together all the different things you've talked about, trimming the tail, I guess, of the smaller innovation efforts, affordability pack efforts, impact on right now just with the shortfall in immediate consumption, the relative profitability fountain food service. Just I think it's

– for me anyways gross margin, no one was talking about the quarter, but gross margins were quite strong in the quarter, and so I'm just trying to think forward as we weave together all these different elements how we should think about gross margin as we work through these times. Thanks.

---

**John Murphy**

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

**A**

Yes. So for the quarter, gross margins were positively impacted with the mix of the inventory build and the relatively poorer performance from our lower margin segments. With respect to the outlook, what I would – I would focus on a couple of points that James also made is that the system is using a number of playbooks.

If you think about where revenue growth management started in the world, in our world it was really born in Argentina and Latin America during the crisis of the early 2000s. And we're leveraging many of the lessons and indeed the capabilities to focus on our core sparkling brands, which, as you know, have a more favorable margin, to be very clear, on the price pack architectures to be able to get full benefit from both an affordability play, but as well to be able to segment in our channels and markets with the appropriate packs for value.

And also during this period, it's been an opportunity to trim back significantly the long tail, which, as we've highlighted in previous calls, that tail is typically comprised of some of the more – the younger explorer and challenger brands, which by nature are lower margin. So, I think the combination of the playbooks that we know work, a focus on the bigger brands and the key packages that typically are higher margin, and being in the position to prioritize our leader brands and packages gives us comfort on the gross margin front that we can continue to build on the momentum that we've had for the last couple of years.

---

**Operator:** Thank you. Our next question comes from Bill Chappell with SunTrust. Your line is now open.

---

**William B. Chappell**

*Analyst, SunTrust Robinson Humphrey, Inc.*

**Q**

Thanks. Good morning. I guess, more specifically, maybe you could talk a little bit about kind of the – sorry about that.

---

**Timothy K. Leveridge**

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

**A**

Bill, we lost you. We can hear you now.

---

**William B. Chappell**

*Analyst, SunTrust Robinson Humphrey, Inc.*

**Q**

Can you hear me now?

---

**Timothy K. Leveridge**

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

**A**

Yes, yeah.

---

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

**A**

Yeah.

**William B. Chappell**

*Analyst, SunTrust Robinson Humphrey, Inc.*

Sorry about that. Good morning. I just wanted to talk a little bit more about the sports event business and kind of how you plan for that over the next couple of quarters. And when I say that, everything from the Olympics to football to what have you, it seems like there's a longer timeframe before we have those type of group events. And so, I guess, trying to understand how movable some of your expenditures are in terms of can you quickly cancel those and move them around? And also, how do you plan for not having those type of events to supply for probably six months plus?

---

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*



Yeah, certainly, the expectation, when you look at to the extent that there are public reopening plans and talk about what the phases would look like, most sporting events sit in phase three, i.e., towards the backend. So I think that it's pretty clear that we're going to see a relatively limited – not say none – amount of large sporting events with audiences in the next couple of quarters. It's not likely. Hopefully, it will come to pass, but I think it's going to be difficult.

Now how we adapt to that and, obviously, the biggest one of that is Olympics, which has now been pushed out to next year, obviously, there's some degree of fixed investment in the asset, in the sponsorship. And, obviously, we're talking to all our partners about how this disruption of the virus impacts the assets and what we can do together. The majority of the spend is largely in the activation of the marketing programs with the asset. And those tend to be variable cost media buys, once [indiscernible] (00:54:55) or our marketing activations [indiscernible] (00:54:56), where we can actually repurpose that money to other things.

So, as John talked about on the call, we have been very observant in increasing the degree of flexibility and reprioritization of all the marketing and OpEx, but all the marketing spend in the downhill of the year to maximize flexibility, because we just don't know which channels or events are going to open up when and potentially change from one day to the next. And so we're maximizing flexibility. The good news is most of the marketing spend, the large majority of the marketing spend is variable and we retain the opportunity to change our plans as we go through the year.

---

**Operator:** Thank you. Our next question comes from Robert Ottenstein with Evercore. Your line is now open.**Robert Ottenstein**

*Analyst, Evercore ISI*

Great. Thank you very much. I was wondering if you can talk a little bit about as kind of moving into the post-COVID environment, how you feel you're situated for the affordability issue, given changes in your price pack architecture that you've done over the last 10 or so years? And also, what changes you've done in your culture, right? I mean, one of the big things that you've tried to do from the beginning, the first days is make some significant changes in the culture of The Coca-Cola Company. Perhaps you can add to what are you doing along those lines either to push that forward and to meet the challenges and accountability and the speed that you're looking for, given the crisis environment. Thank you.

---

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*



Sure. We commented a little earlier that responding in a crisis is certainly a big part of the DNA of the Coke system. From a cultural point of view, we have been clearly focused in the last two years through some of the organizational changes, through some of the work on training, skill building, and developing the culture, to increase the degree of agility, the nimbleness of the global organization, but also the degree of networking, become a much more networked organization, which, obviously, the two things work together, which has been fantastic in a way, because there's no better time to have got better at those two things than when you've got a global crisis. And the value of the learnings that can be moved around the world is certainly very high.

So we've been focusing on a number of things in the culture, but certainly ramping up the agility and the network, creating a networked organization has certainly helped us in this crisis. And then as we've focused in on affordability, John mentioned it earlier, the revenue growth management approach has been part of our crisis management – actually it was born in a crisis or many crises, and we have developed that capability around the world over the years. Actually, over last couple of years we had another big push to drive revenue management capability throughout the world.

It wasn't just we were looking for premium pricing and smaller packaging. Yes, we were looking for those things, but they were an output of a capability we were building that is now going to be turned towards responding to the different environments that we'll see across the different countries as their macros perform. And so the system, us and the bottlers, have upgraded our ability to really pivot towards affordability in whatever shape that means in the country you're in and using whichever brand is relevant in the place we're talking about. So, I think we are in the best shape we've been going into a global crisis than we have been for a long time.

---

#### John Murphy

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

A

And, James, if I just could add on the cost management side to sort of amplify the point on networking and agility. I think as we go into the rest of the year, we've had the opportunity over the last four to six weeks to work very closely with all the markets to be clear on what's fixed, what's variable, what's committed, what's noncommitted, and then what are the key decision points that we will have over the coming weeks to be able to pivot appropriately into the second half of the year. And it'll be very market-centric. In some markets we will want to accelerate investments and in some markets pull back. But the network that's in place, the digital infrastructure we have to allow us to connect, is certainly – are elements that are serving us very well at the moment.

---

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

---

#### Andrea Teixeira

*Analyst, JPMorgan Securities LLC*

Q

Thank you and good morning. Are you seeing at-home consumption accelerate or decelerate in April against March? And do you view the fewer shopping trips you alluded to mostly offset by e-commerce in most places and the negative impact mostly localized in some countries like you said, in India and epicenter cities like New York? In other words, I'm trying to see how concerned are you with pantry destocking at this point or there's still a lot of stocks in your view at retail and we could actually see at-home accelerate as you progress your revenue management initiatives. And should we expect the negative price/mix impact because of the bigger weight of the multi-serve in the next few quarters? I really appreciate. Thank you.

---

#### James Quincey

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

A

Sure. Taking it a bit in reverse order, yeah, if there is a big shift in the mix towards future consumption packages versus immediate consumption in any given country, that will be a headwind to mix in the coming quarters. There may be all sorts of other affects, as John mentioned. Some of our vertically integrated businesses have been impacted. We run the fountain business or cost [indiscernible] (01:01:15). There will be a lot of mix effects in the coming quarters, but that one will be a headwind as we think about the future quarters.

In terms of the trajectory of at-home, one can't simply look at March versus April, because each country is following its own path. What we see is as the virus has started to take off, you start to see footfall starting to decline in some of the away-from-home channels. Then the lockdown starts to occur and you get big declines in footfalls in the away-from-home channels. And you get a spike in stock-up volumes in the at-home for a few weeks, and then you, obviously, are into the lockdown, and then the numbers start to normalize and you start to see some stability in the future consumption.

Now what's happening within the at-home channels is you have to, I think, layer on conceptually not just a closure of channels and consumers moving from A to B. But an anticipation or at least a consumer response to the uncertainty of where we're all going economically, and therefore, a shift in the prioritization of the categories that they buy even within the at-home channel. So it's quite clear and it's a visible pattern, not always the same category, but it's a very visible pattern around the world.

You see what consumers deem is essential spikes up and stays up in the at-home channels. Some things like beverages sell more, but not nearly enough to compensate for the losses in the away-from-home channels. And then some categories and the smaller SKUs get heavily deprioritized both by the customers and by the consumers. So it's important to see those complete trends. It's certainly not the case that e-commerce is offsetting the losses from away-from-home. Relatively, e-commerce, even though it's doubled in sales for beverage category, it's still a very small percentage of the total beverage category. So there's a lot of adaptation going on and you literally need to go place by place.

---

**Operator:** Thank you. Our next question comes from Laurent Grandet with Guggenheim. Your line is now open.

**Laurent Grandet**

*Analyst, Guggenheim Securities LLC*



Hey, good morning, everyone, and many thanks for your detailed comments on how you approach the crisis. One question on the advertising spend. I mean, you mentioned in your pre remarks that you are pushing back your advertising spend to later in the year. So, could you please give us a bit more direction on how we should think about the sequencing by quarter and also by brand? And finally, also should we think your strong innovation pipeline for the year is now put on hold? Thank you.

---

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*



Sure.

---

**John Murphy**

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



Yes.

---

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*



Go on, John.

**John Murphy**

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

A

Okay. Go ahead, James.

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

A

All right. You go ahead.

**John Murphy**

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

A

Yeah. So the approach, as we talked for the rest of the year, has been to really stay close to the consumer in a relevant way, and in the second quarter that actually means in many markets coming off-air. We have had a number of communications announcing that we will take a pause for now while we focus our efforts on our communities and on other priorities, and that we'll be back later in the year. But back later in the year looks like it's going to be very much dependent on the shape of the recovery. And so for the quarter, the upcoming quarter, we're creating as much optionality as we can, so that markets can do the right thing in the second half of the year. Tim and the team can take you through some of the implications that I alluded to in my remarks on the phasing for the rest of the year.

**Operator:** Thank you. Our next question comes from Carlos Laboy with HSBC. Your line is now open.

**Carlos Laboy**

*Analyst, HSBC Securities USA, Inc.*

Q

Yes, good morning, everyone. If some key emerging markets remain weak or go into a protracted recession here, how do you prompt North America and Europe to accelerate the pace of change and growth? There were some promising momentum. What kind of things can you do to step up the rate of transformation and develop markets here?

**James Quincey**

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

A

[indiscernible] (01:06:10). We're going to have to manage the portfolio here. Certainly, we will have to look at each part of the world and adopt the strategy and the approach and the right balance of marketing, innovation, RGM, and execution that's appropriate for the macro and the context and the consumer behaviors. We had a great program and a lot of momentum coming back into the North American business and also the European business. We'll have to manage each step as we take it. I mean, certainly [audio gap] (01:06:48-01:07:03) and so we will have lots of things ready to roll against the different scenarios we see coming out. So, we certainly would be looking to see North America and Europe doing better as we come out of the new normal.

**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, everyone. We've covered a lot of ground. I wanted to ask, James, on emerging markets. Historically, the company has tried to offset some of these FX headwinds in EMs with pricing. But sort of building

on some of your early commentary, do you foresee that some of the demand challenges broadly in a number of these key markets are going to compromise your ability to put your pricing to offset some of these FX? And how are you sort of weighing market share objectives, overall health of consumer with profitability over the next 12 months? Thank you.

**James Quincey***Chairman & Chief Executive Officer, The Coca-Cola Co.***A**

Sure. Our starting point is the approach that we compete locally. The economics of the industry are more local than they are dollar. So we focus on staying close to the consumers and the customers, and competing locally to build the franchises, to gain market share, and to sustain or improve profitability in a local sense. In the short term, we do not. That does not mean we use pricing to track and try and offset forex. That will make us less competitive in the local context.

Over the long run, clearly, as currencies devalue, they tend to import inflation, and therefore the pricing over the medium-term can subtract to offset the FX. We've been hit harder this year than we expected from some of the emerging markets, and we don't see ourselves pricing just to try and offset that. We will, obviously, be driving affordability to try and drive demand and to stay in the business, and therefore on the top line we can try and make sure that we get the right level of profitability.

Now, over the last few years we have tried to say, look, we do not aim for The Coca-Cola Company to just be the sum of all the local wins and occasional losses in the local marketplaces. We are pulling levers as a corporation to balance out the portfolio, to achieve objectives of making sure the shareholders get returns in US dollars. Clearly, this year is going to be a very atypical year. We're going to manage the year as we've described. But going into the future, we will certainly be back to try and balance the three legs of the stool as we have tried in prior years.

**Operator:** Thank you. Our next question comes from Sean King with UBS. Your line is now open.

**Sean R. King***Analyst, UBS Securities LLC***Q**

Thank you. Hey, I wanted to dig into your commodity hedging exposure and if there's any opportunity to benefit from the relative correction we've seen in certain input prices. On the other side, with ethanol production nearly shuttered, do you see any risk throughout the system for CO2 supply?

**John Murphy***Chief Financial Officer & Executive Vice President, The Coca-Cola Co.***A**

Sean, thanks for the question. I'm glad you raised it, because I should've highlighted it in my remarks earlier with Lauren's question on commodities. The commodity outlook is favorable overall, and so I expect that both the company with our finished goods businesses and, indeed, our bottling system can take advantage of some of those commodity pricing in the rest of the year and into 2021.

On the CO2 front, yes, we're aware of the challenges, particularly in the US, due to the bioethanol raw gas feedstock sourcing depletion. But our team has got a number of contingency plans in place and we don't foresee an issue in the foreseeable future at this point.

**Operator:** Ladies and gentlemen, this concludes our question-and-answer session. I would now like to turn the call back over to James Quincey for any closing remarks.

### James Quincey

*Chairman & Chief Executive Officer, The Coca-Cola Co.*

Thank you. Coca-Cola has a history of leadership, of resilience, and of doing the right thing, no matter whether the times are good or whether challenges exist. And this time will be no different. We've never been better positioned than we are today to manage through this situation and come out even stronger. So, as always, we thank you for your interest, your investment in the company, and for joining us today. Have a great day.

---

**Operator:** Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

#### 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 2020 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.