perator

At this time, I'd like to welcome everyone to The Coca-Cola Company's Fourth 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.

Tim Leveridge

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 tab in the Investors section of our company Web site at 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 our results as reported under generally accepted accounting principles.

I’d also like to note that you can find additional materials in the Investors section of the company's Web site 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’ll turn the call over for your questions. Please limit yourself to one question. If you have more than one, please ask your most pressing one first and then reenter the queue.

Now let me turn the call over to James.

James Quincey

Thanks, Tim, and good morning, everyone. As you’ll have seen from our results today, we are pleased to report another quarter of strong performance capping off a successful year in 2019. We delivered on our financial commitments for the year even in the face of stronger than expected currency headwinds.

We see the right strategy taking hold, supported by the right partners underpinned by a growing and vibrant industry, but we're just getting started. This is what gives us confidence in our 2020 outlook and we are optimistic about the long-term opportunities in front of us.

As we got to 2019, our business performed well. We gained value share globally in addition to gaining share in each of our geographic segments achieving our largest share gain in almost a decade with 34 of our top 40 markets gaining share.

Organic revenue grew 6%, two points ahead of our initial forecast and at the top end of our long-term growth model. Top line growth was driven by strength across all the operating segments.

Comparable currency neutral operating income grew 13% versus our initial goal of 10% to 11% through accelerated top line growth and delivering on our productivity targets. Comparable EPS grew 1% at the top end of our guidance despite a higher than expected eight-point currency headwind.

Finally, we delivered $10.5 billion in cash from operations, up 37% for prior year and well ahead of our initial guidance. Our 2019 performance was the result of a broad-based success across the majority of our markets.

Globally, we achieved high-single digit organic revenue growth within our developing and emerging markets along with mid-single digit organic revenue growth in our developed markets. So let me walk you around the world a little and touch on some of the strategic actions that we have been taking.

In North America, we delivered a solid performance in 2019 and we are well positioned with a strong marketing and innovation pipeline heading into 2020. Organic revenue grew 3% for the year, and while we continue to gain overall value share too, trademark Coca-Cola drove our performance with 4% retail value growth.

Volumes in trademark Coke were positive for the second consecutive year even as we continue to execute on our smaller pack initiatives. Across our refranchise North American bottling system, there is improved execution and continued conviction about the long-term growth opportunities for our business.

Over the past few years, the system has invested nearly three quarters of the $1 billion to support our innovation and revenue growth management agenda. This includes expanding availability of our popular mini cans which again grew in the double digits for the year.

Turning to Latin America. Here we achieved 13% organic revenue growth while navigating a tough macro environment by focusing on the fundamentals. These included expanding cooler placements, acceleration of single-serve packs and increasing availability of returnable packaging in under-indexed markets.

For example, in Brazil, we delivered the best performance we’ve seen in seven years growing more than twice the rate of consumer spending. Our results were driven by high-single digit growth of single-serve packages, due in part to a more than 20% increase in cooler placements by our volume partners.

This aligned focus and investment is a testament to the long-term opportunities our system sees in the large and important market. The resilience of our Brazilian business helped deliver solid results in Latin America despite markets such as Argentina where the economic situation continued to deteriorate during the year.

In EMEA, organic revenue growth of 5% was balanced between solid industry growth and strong share gains. Growth was driven by strong results across developed, developing and emerging markets, while innovations with Coca-Cola led to the best performance we’ve seen in the last eight years for the trademark.

Our innovation with iconic brands also went beyond trademark Coca-Cola. Schweppes grew double digits during the year, boosted by our new adult/mixer offerings. Fuze Tea continued to perform well across the group, now fully lapping its 37 market rollout in January of 2018.

We have strong plans in place for the brand heading into 2020 focused on new winter flavors and no sugar antioxidant-infused offerings. These results led to the strongest share gains we’ve seen in years across the region supported both by sparkling and non-sparkling gains.

Turning to Asia. A concerted effort to recruit new consumers and drive horizontal expansion helped deliver 5% organic revenue growth for the year. Across Asia we added 1.4 million new customer outlets, led by our two largest markets in the region; China and India.

Our success in China is not just solely based on increased distribution. In order to help expand the consumer base, we've been adapting to the new digital-first consumer landscape.

For example, we launched an integrated Coke and meal campaign with a heavy focus on online food aggregators. This helped us recruit more than 20 million new consumers boosting our share of online meal ordering to over 60%. Actions like these led us to be named the fastest growing FMCG brand in Asia by Kantar.

I've also been encouraged by the system's response in markets where we face challenges. In Japan, for example, the system moved quickly to rebuild production capacity following natural disasters in 2018 and stepped up execution performance in order to support our innovation pipeline.

Across the globe, we've seen that a constant focus on innovation, revenue growth management and improved execution, all supported by integrated brand building forms the foundation to deliver strong results today and in the years ahead.

Although we have much room to improve, I'm pleased with the progress we've made across these areas during the year. On innovation, we've leveraged the strength of our flagship brand while continuing to innovate across the total portfolio.

Coke with Coffee launched in 35 additional markets in 2019 is satisfying a new occasion and recruiting consumers back into the brand driving incremental sales to the Coca-Cola trademark. We've also launched Coke Energy in select international markets.

And while we've seen some success with initial rollout, we'll continue to learn how to enhance the consumer proposition as we expand further into 2020, including our recent rollout in the U.S. that tastes a little more like Coke. We're putting the full marketing muscle behind out Coke Energy launch in the U.S.

Turning to the juice, dairy and plant-based portfolio. NUTRIBOOST continues to grow strongly across Asia, behind our new and innovative functional dairy products for kids and young adults. NUTRIBOOST started as an internal innovation in Vietnam and continues to expand across the region, including its latest launch in Australia. We look to continue accelerating our innovation pipeline in 2020.

And just touching on North America, our innovation plans includes the launch of a half sparkling water in March with a distinctive edge in the sparkling water space as two flavor offerings contain caffeine for a little morning or afternoon pick me up.

We're innovating within our sports drink portfolio as well with the rollout of Powerade Ultra, a breakthrough innovation for the sports drink category with cutting-edge ingredients, including creatine and more electrolytes than original Powerade.

We’re also expanding our capabilities through the recent acquisition of fairlife, giving us a strong position in the fast-growing value-added dairy space. We’ve also taken several steps in the ongoing evolution of our revenue growth management agenda.

We're strengthening our competitive advantage by making better, more informed decisions and making them faster, translating data into insights and insights into actions. Importantly, these insights equip our customers with a new view on how to create value in the beverage category, one not dependent on lowering prices to drive foot traffic.

For example, working with one of our European bottling partners we added an incremental 100,000 transactions per week for one of our largest customers through insights driven by our RGM capabilities. This kind of collaboration helped to drive results, leveraging the power of our consumer insights to support growth for us, our bottling partners and our customers.

It's another example of how we create shared value for all who touch the Coca-Cola business. And we’re still in the early stages of building out these capabilities and see this as a source of growth for a long time to come. In the end, ultimately though, it comes down to execution as you can have a fantastic brand, a compelling consumer proposition but it must be available at the right place at the right time.

And execution continues to be based on the fundamentals. For example, in the Philippines, through the placement of more than 10,000 coolers and a 23 point increase in order fulfillment rates, we achieved double-digit volume growth for the year along with our highest availability coverage and market share in seven years.

To support our growth agenda, we’ve always been clear that M&A serves as an enabler to our strategy rather than a strategy in of itself. During 2019, we acquired Costa coffee which provides us a platform to create a world-class global coffee business. And we’re moving with speed to build a strong foundation for long-term value creation under that brand.

We started with the launch of ready-to-drink Costa across Europe, already achieving six points of value share in GB within the category. We’ve also accelerated placements of Costa Express at premium self-serve coffee solutions including more than 700 units across key markets in the fourth quarter alone. And we’re working closely with our bottling partners to accelerate the total cost of platform in 2020.

While I'm proud of our team in delivering strong results, I'm equally proud of the work we are doing to build a sustainable business for the future. Our initiatives address water stewardship, sugar reduction, women's empowerment and climate, but I'll focus here on our World Without Waste initiative, which includes a number of goals to reduce packaging waste.

We've made steady progress. For example, bottles made with 100% recycled PET are now available in 12 markets with more planned for 2020. Coca-Cola Sweden announced it would be the first market in the world to transition to 100% rPET, 100% recycled PET, for all plastic bottles made in the country, a fully circular economy.

In 2019, in Western Europe, we used nearly 30% recycled plastic across our total portfolio of PET bottles and are accelerating fast in line with supply. By the end of the year, we project to reach 40% recycled plastics in our bottles in Western Europe targeting 50% by 2023 and working to increase the recycled content steadily thereafter.

Within our flagship U.S. market, we teamed with partners and large competitors to launch Every Bottle Back program, which is designed to improve sorting, processing and collection in areas with the biggest infrastructure gaps. This will help increase the amount of recycled plastic available to be remade into beverage bottles.

Speaking more broadly, we are preparing our system for the future with a flexible packaging portfolio. We are investing in innovation to design-in sustainable solutions and design-out waste, while also reducing our carbon footprint in line with our science-based targets.

We're also maintaining a portfolio of aluminum and glass packaging and creating package-less solutions like Freestyle and DASANI PureFill to provide more choice. As we look forward, I'm encouraged by the progress the organization is making, progress that gives us confidence in delivering consistent and sustainable financial performance. It's clear that our culture shift is gaining traction as we continue to raise the performance bar across the organization.

Looking at the bigger picture, our success comes down to our ability to craft the beverage brands that people love and refresh them in body and spirit. We strive to do this in ways that create a more sustainable business and a better shared future that makes a difference in people's lives, communities and our planet. Simply put, it's about love brands done sustainably for a better shared future. And I look forward to sharing more with you at upcoming CAGNY.

So with that, I'm going to turn over to John.

John Murphy

Thank you, James, and thank you to everybody for joining us this morning. As James mentioned, 2019 was another solid year. We delivered on our financial commitments while continuing to invest for growth in the years ahead.

Our press release covered our fourth quarter results in detail. Big picture, we saw another quarter of solid results with 7% top line growth translating into double-digit operating income growth.

When you factor in timing of shipments and the extra day in the quarter, the top line is closer to a 6% net of these factors and in line with our full year top line results. With that, I will focus on some of the progress we've been making on our priorities as well as on our 2020 guidance.

On the top line, we continue to see a strong response from the strategic actions we've been taking now in the second year of delivering at the mid-to-high end of our long-term growth algorithm with contribution from both volume and price mix.

Delivering quality top line growth is translating into underlying margin expansion and profit growth. For 2019, we achieved underlying operating margin expansion of 150 basis points driven by top line acceleration and leveraging our cost base through productivity initiatives.

We expanded margins even as we accelerate reinvestments in the business helping us to drive double-digit profit growth on a currency neutral basis. Comparable operating margin compressed by approximately 100 basis points as underlying expansion was more than offset by a combined approximate 250 basis point headwind from currency and acquisitions.

Free cash flow has been a particular area of focus this past year, enabling us to deliver $8.4 billion during the year, up 38% from the prior year and well ahead of our plan. We achieved this through accelerating our underlying performance, capturing working capital initiatives, a reduction in productivity and reinvestment costs and more disciplined use of our capital spend.

Our progress on cash is a good example of when the organization was clear on the opportunity and the drivers to achieve this. And as we've seen, the results can sometimes exceed even our own expectations.

Turning to the 2020 outlook, based on the progress we've been making and the plans we have in place, we expect to achieve results well within our long-term growth targets for revenue, profit and earnings per share for 2020.

Importantly, we expect to deliver meaningful U.S. dollar EPS growth. Specifically, we expect organic revenue growth of approximately 5% and comparable currency neutral operating income growth of approximately 8%.

Key drivers of our operational outlook center around our continued focus on innovation, revenue growth management and improved execution, all supported by a comprehensive approach to brand building.

James highlighted a few aspects of the innovation pipeline and we continue to get sharper on how to better connect our revenue growth plan with initiatives into an integrated execution strategy in the marketplace that delivers on both the top and the bottom line.

From a macro perspective, although volatility remains in certain spots around the world, we do expect consumer spending to remain healthy for 2020 and expect the emerging and developing world to outpace developed markets similar to 2019.

In terms of currency based on the latest rates, our hedged positions and our forecasted business mix, we anticipate a zero to one point headwind at revenue and a two to three point headwind at operating income. These headwinds are inclusive of cycling any hedging gains in 2019, which as noted in the past were minimum.

Considering these factors, we expect comparable earnings per share of approximately $2.25 for 2020, a 7% increase from the prior year. We also expect to generate approximately $8 billion of free cash flow for 2020 through $10 billion in cash from operations and $2 billion in capital investments.

Cash generation will be driven by continued strong underlying performance, capturing further working capital benefits, further reduction in productivity and reinvestment costs and even more disciplined use of capital spend.

We remain consistent on our disciplined capital allocation program which balances financial flexibility with efficient capital structure. Specifically, we'll continue to reinvest the cash generated to support our growth agenda. We'll also continue to return cash to shareholders by growing the dividend. And after investing for growth and delivering on our dividend commitments, we intend to use the excess cash to repurchase shares over time.

My last point to cover is timing considerations for our 2020 outlook, as we expect the majority of growth to occur in the back half of the year. The two biggest factors are; first, we have one less day in the first quarter and two additional days in the fourth quarter. And second, we will be cycling the impact from our European bottlers increasing their safety stocks in advance of a potentially disruptive Brexit earlier in 2019.

This was a benefit to revenue growth in the first quarter of 2019 and then was subsequently reversed in the fourth quarter. The cycling effect will create a natural headwind for the first quarter of 2020 and a headwind in the fourth quarter.

So in summary, we are pleased with our 2019 results and confident in our ability to deliver on our commitments for 2020. We're also very clear on the direction we're heading as a system and well equipped to execute on the strategies to get us there.

Operator, we are now ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions]. Our first question comes from Dara Mohsenian with Morgan Stanley. Your line is now open.

Dara Mohsenian

Hi. Good morning, guys.

James Quincey

Good morning.

John Murphy

Good morning.

Dara Mohsenian

Just wanted to touch on the organic sales growth guidance for 2020. You obviously posted a strong 6% result in 2019, but your guidance does imply a bit of a slowdown in 2020. So just wanted to hear if anything is giving you specific concern there driving that slowdown, maybe an update on emerging markets and anything you're seeing there or is that guidance more that you typically start the year assuming some things will go wrong and with a bit of a conservative bend similar to 2019? Thanks.

James Quincey

Thanks. I think the first fundamental point to make is we don't see any change in our underlying business momentum. As we consider the global macros and the geopolitics and the wins that could buffer things, we've got really focused on what we can control and what we can drive and really putting together a program around the brand building, the innovation, the revenue growth management and the execution. That's served us well in 2019 and we believe it will serve us well in 2020. So we're expecting a solid result in 2020. There were a few puts and takes in 2019 that perhaps favor the result a little. The contribution from BIG which obviously is a little more disproportionately contributing on the revenue versus the profit line. So we feel that as we look out into 2020, we're seeing the same momentum, the same levers we know how to pull. And when you compare it backwards to kind of a two-year run rate or make a small adjustment for BIG, I think you'd see it's very much in line with what we're delivering. Of course, if we do better in the year, we'll update guidance as and when that becomes appropriate. But we think we got a great plan, we've got solid momentum, 10 quarters of doing in the range and I think that's how you should think about 2020.

Operator

Thank you. Our next question comes from Steve Powers with Deutsche Bank. Your line is now open.

Steve Powers

Great. Thanks. Maybe just sticking with the top line, 2019 was a great year on organic growth as you just described but particularly in terms of price/mix realization. I guess the question is, is there a way to parse out how much of the five points of price mix you realized in '19 was driven by initiatives that you would see as real and repeatable versus things that might be considered more one-time step-ups or pricing simply as a byproduct of outsize inflation in certain emerging markets? And I guess more importantly as you think about the composition of growth in 2020, do you expect a similar price/mix versus volume composition or is it to be more balanced as we look forward?

James Quincey

Thanks, Steve. Look, lots of moving pieces as one looks at the aggregate price/mix ratio. Obviously 2019 was a little heavier around price/mix. I think there was some inflation coming through places like Argentina. We've certainly talked about previously how we're looking for a balance between volume and price over time as you get up into the 5% to 6% growth; 6 last year, 5 the year before, looking for 5. We're looking for 2 to 3 of each. So clearly 5 would be more than we would imagine is the long term. But we're going to focus on what drives the core business. The way I think about pricing is that pricing has to be earned, it has to be earned with the consumer, it has to be earned with the customer because they want their business to grow. So it's about the brand building, it's about the innovation, it's about the RGM initiatives. We've talked on previous calls about how we see that as a long runway of opportunity on RGM on the pricing and the packaging opportunities and of course executing it. And just final thought is in 2019, the price/mix is a little over weighted by what happened with BIG being very strong as well. So we'll continue to push to earn pricing and we'll be looking going forward for a balance between price/mix and volume.

Operator

Thank you. Our next question comes from Ali Dibadj with Bernstein. Your line is now open.

Ali Dibadj

Hi, guys.

James Quincey

Hi, Ali.

Ali Dibadj

I think that despite just the first two questions you got, it feels like investors seem to may be moved on a little bit from questioning too much at least your organic top line growth sustainability. I hope that's true. I hope that's right. But we are certainly kind of keep looking for your top line to show leverage on your EPS line and that seems to be a little bit more elusive. I want your perspective on that. 2020 guidance that you've given, obviously 5% organic top line growth, that's only 7% EPS growth. For a lot of other companies that would be much higher than that in the FMCG world. And I love your perspective on why that is for you guys in particular whether that can change, and in particular why not get more leverage out of being more decisive on your share buyback at this point especially, John, to your point given how free cash flow is improving. Why not do something more now?

James Quincey

Well, firstly, I think our long-term growth model is pretty clear. And the revenue guidance for 2020 is in the middle of the range and the operating income guidance is in the middle of the range and yet we're still projecting at this point in time a mild currency headwind which then gives us the 7 on EPS. So I think the key is to keep looking at the underlying performance of the business in currency neutral and there's good leverage built in there, and we've certainly benefitted over the last number of years from a lot of leverage for having coming out of refranchising having focused on productivity, having used innovation to give us leverage between revenue and operating income. We see ourselves entering a more steady phase where there is continued leverage from revenue to operating income, in this case three points in the guidance for 2020 and it's partly being driven by productivity and partly being driven by innovation and revenue growth management. So I think those should be the stable outlook going forward having come off a very strong period of getting operating leverage. Do you want to say anything about earnings, John?

John Murphy

Yes, let me just add a point on the EPS on the share buybacks. We've got to look at it in the context of two areas. One is our overall capital allocation priorities. And then secondly, the cash we have available at a given point in time. So with respect to capital allocation priorities, I think we've been pretty consistent that priority number one is to invest in the business; number two, to grow the dividend; number three, to look at opportunistic M&A. And then number four is to look at share repurchase. That has to be in the context of cash we have available. And while our free cash flow progress in 2019 was terrific, I think when you take a step back and look at the cash we have available, last year and even this year we're talking about a relatively small amount. So we'll continue to factor that into our decision making as we go through 2020 and into 2021.

Operator

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

Lauren Lieberman

Great. Thanks. Good morning. I just had two questions. First on, I just wanted to talk a little bit about cash because the cash conversion was a pretty dramatic change, I think 96% by my math, and I know working capital benefits probably helped a little bit with that, but the guidance is still really strong for next year. So if you can just talk a little bit about how you've driven such a big step change in performance on that front and speak a bit to sustainability? And then, James, you gave a lot of color on plastic and I just have been thinking a lot about on the consumer awareness and preference changes and how quickly that seems to be building momentum, particularly in the U.S. So if you could just offer a perspective on how as a system you can sort of balance dealing with that, the consumer interest but also the cost that's implied in sort of changing that packaging mix? Thanks.

John Murphy

Thanks, Lauren, and your math is pretty accurate, so hold on. I think I've been pretty consistent in the last year talking about this as being a top priority for me and at least for the team. We're very clear on the drivers to improve our free cash flow. I have a great team in place and frankly speaking the only surprise was that they made progress as fast as they have hitting it out of the park especially in the fourth quarter. As I look to the sustainability going forward, I see continued opportunities to improve the underlying fundamentals. Cash from operations should continue to improve. We've still got opportunities on working capital. We're not seeing much benefit in the comparative years on CapEx but over time that will be there. And we will have lower sort of transformation costs in the productivity arena particularly. For 2020, we do need to factor in a couple of special items. There is recycling of a special dividend from 2019 and some transition tax payments. On a two-year basis if you look at it, we're in the mid-to-high 80s and I expect us to continue to make progress upwards from there. So, yes, good progress and still a lot of opportunity ahead.

James Quincey

Perhaps we'll be such generous [ph] into two questions as we kind of did two of Ali. On the plastics bit, Lauren, clearly consumer awareness is going on plastics in particular and packaging or consumer waste in general. For sure, it's going up U.S. and perhaps even further ahead places in Europe. So check, awareness is going up. Second thing that's happening is I think the emergence of a more profound investigation of what does it really mean. Certainly sometimes initially there's a danger, it becomes a philosophical question of plastic good or plastic bad whereas actually when you get into it, the first thing to realize is there are different types of plastics and some plastics have high value and are easily made part of the circular economy. Some have a very hard recycle and have very little value and then there's stuff in the middle. So what's happening now is that a kind of a more structured move towards, okay, what can we really do about it? And what happens is two objectives come together when stand back from plastic. And actually it then applies to plastic, aluminum, glass, cardboard, whatever packaging material they're talking about, two things comes together. How do we have zero waste and how in doing that do we have the lowest possible carbon footprint, because that's the other objective that's going to come back into the equation here. I think the plastics space started more on the waste side, but the two things are going to come together and the objectives are going to end up being how do we design a system that deliver the brands and beverages that people want with zero waste and a lower carbon footprint. And when you go down that road and you get into plastics, for example as a material, what you find is high-value plastics in which PET bottles are the preeminent high-value plastic. If you can get them back, they're fully recycled and fully reusable in beverage bottles, as we pointed out, we can have our first mark in the world, we're going to achieve a circular economy of getting the bottles back and making them back into plastic bottles, a fully circular economy in Sweden with our bottles and those recycled PET bottles have a lower carbon footprint than just one-way plastic bottles but also have a lower carbon footprint than cans or glass at least on today's technology. So actually if your objectives remain zero waste and lower carbon footprint, which is where I believe the conversation is going to move towards, then achieving a circular economy on PET is actually the best way to achieve that objective. Now there are as I said other types of plastic and we as a system have gone through the process of – the bottle has lots of value. There are other plastics we use like shrink wraps which don't – are much harder to recycle or have low value. So, for example, our Western European bottler is just going through a process of investing under the European single-use plastic directive to removal of that plastic on the supply chain and putting in cardboard. It cost a little bit more, but it can be accommodated within the business system. So we're starting to work on how do we eliminate low-value, super hard to recycle plastics? And then the bit in the middle, we're investing with companies – other people are doing it too – on innovation. Because what's needed there is some new technologies, enhanced recycling. We came out with an innovation last year. We call it the marine where we were able to take very dirty PET which doesn't fit in the normal stream, actually with enhanced recycling, chemical recycling, we're able to turn that back into food-grade PET. So I see the circular economy on clean PET bottles being the lowest carbon footprint and zero waste and that's the solution for today. New technologies coming in for the middle types of plastics will kind of complete the circular economy play and the system moving out of hard to recycle glasses. Now all of that if we do it collectively with peer manufacturers in beverages and other FMCG and retailers and put in place with governments the lowest cost collection of systems possible, this can all be accommodated within the business system going forward. And therefore we can continue to use a range of packaging vehicles for the consumer not forgetting that we are also one of the largest enterprises that have package-less dispensing between our fountain business, our Freestyle business, our Costa Express business, we provide a wide platform of bottle or can-less dispensing of beverages. And we're continuing to innovate with DASANI PureFill. So we will run a dual track system and make sure we can offer the consumer the beverages they want and achieve a future where we have zero waste and a lower carbon footprint.

Operator

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

Robert Ottenstein

Great. Thank you very much and congratulations on a strong quarter capping an excellent year. James, when you came onboard, you talked about changing the culture, trying to drive more agility, speed, accountability and certainly we're seeing strong results. But I was wondering if you can talk a little bit about the cultural changes that you're actually doing, kind of the sustainability of that, perhaps have you adapted the compensation system? And then maybe also touch on the changes that you did initially, you went from a CMO to a growth officer, now you've gone back; maybe a little bit around that decision and how that works into your overall objectives? Thank you.

James Quincey

Sure. Let me start with the culture piece and then come to the CMO piece. Absolutely what we said on the culture and simply put around really fundamentally driving a growth mindset and celebrating all that's great about the Coke culture and the Coke system culture to get us more growth oriented. And as I've said before, any large system, particularly a large successful system is predestined in a way to the effects of gravity to suck focus inwards the bigger and bigger it gets and the more successful it gets. And so it has to be pushed against the drive and external view what is the consumer doing, what do they really want, how are we going to help our customers grow the business? Without that, things will go wrong. And so that's been the focus of the culture shift to really drive that. It then goes along with the organizational strategy around empowerment and accountability and backing it up with compensation. I don't think we should lose sight of the fact that cash got included in the compensation in the last couple of years and we have done somewhat better in 2019 on cash. So it is about an organizational strategy, the various components working together to drive the end results which is about the growth mindset leads to a focus on growth which leads to better results. And as we think about that, switching over to the CMO question, we put in place the growth office with the purpose of providing more structure. We had spent a number of years expanding the portfolio into different categories with different brands we had not been disciplined enough about working out which ones were truly brands that offer the consumer compelling proposition and which were just bulking up. And we had to come in and be more disciplined. So the work that the growth office did with Francisco driving it to create the leader, challenger, explorer and the zombies and really get clear about what's working, what's not working and how do we administer structure to the portfolio in a more strategic way was a critical piece of getting more organized over the last couple of years. And now the next phase which is kind of why we've gone back to more of a Chief Market Officer structure is having put that strategic logic in place, we have to continue to excel on one of the four fundamental levers of the business. We talk about brand building, innovation, RGM and execution, having a sharper focus on the hard core of marketing is critical. Now we have a clear structure on how we want to approach the portfolio.

Operator

Thank you. And our next question comes from Kaumil Gajrawala with Credit Suisse. Your line is now open.

Kaumil Gajrawala

Hi, Good morning, everybody. You're growing more quickly than you have in quite some time, including in volumes terms, and it sounds like the spread or the mix between volume and price may skew a bit to volume next year. It also sounds like there's a lot of – there's quite tight cans capacity at the moment. Is there any risk that there could be a limit or lid on your growth because of lack of access to cans?

James Quincey

At the moment we don't see any problem accessing can capacity given our current plans. Obviously we have a global procurement team that works on buying aluminum and can capacity for us and we believe we have good visibility into what we need going forward. I know there's some thinking out there that if plastics come under pressure, then can is suddenly going to shoot up. Our cans are doing well. Certainly, we are going to continue with our strategy of driving the mini cans which has been a strong piece of the North American success. So there's going to be innovation in cans, there's going to be more growth in cans, but we don't see the market becoming widely un-stabilized. And so we believe we have all the canning capacity with our supply base to drive the growth that we need.

Operator

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

Andrea Teixeira

Hi. Good morning. Thank you. So, James, you mentioned that you're putting the full Coke marketing force behind Coke Energy. And I know it's too early, but how has the launch gone go far? And what does the incremental shelf space come from – I mean where is – coming from the energy cooler? And what have you learned about shelf placement in the other parts of the world that you're applying to the U.S.? And if you're generous also with me, can you please break down the 17% price/mix in LatAm into list price, Argentina benefit and better mix of single serve that you called out in Brazil and Mexico and how should we think about the region embedded in your 5% guidance globally? Thank you.

James Quincey

Okay. Maybe I'll start with Latin America and exude generosity through the whole call. Argentina I think accounted for about three points of extra inflationary pricing within the Latin America number. So that would give you something in the kind of low teens for Latin America for the full year if you excluded Argentina and I think that's more consistent with what you see going backwards in time for price mix for Argentina. We don't break out the kind of single serve in Brazil and the other pieces. So I think if you believe that Argentina inflation is going to come down, then taking – seeing Latin America's price/mix go back or exclude that benefit would then be logical. In terms of Coke Energy, we're certainly making a strong effort in North America. It's kind of version 2.0 having done a 1.0 in a number of the international markets. And one of the things we learnt as we went into North America market is we wanted to move the flavor profile of the product closer to Coke, less citrusy, more Coke like. We think that's going to work well for the North America market and we'll be rolling that formula out in some of the round-one marketplaces. Certainly in terms of shelf space and execution into customers, we're very clear and we're looking to take space from the energy category from brands that are competitive to those carried by the Coke system, by which I mean I also include monitoring that among the Coke system. So we're looking to take from other competitors and generate space. So the strategy is clear. We're looking to expand the access to the energy category and we think Coke can do that. We're certainly giving it a go. And as you said, it's very early days and so we don't have any clear conclusions yet in the U.S. marketplace, but it certainly seems to have generated a lot of interest.

Operator

Thank you. Our next question comes from Bill Chappell with SunTrust Robinson Humphrey. Your line is now open.

Bill Chappell

Thanks. Good morning.

James Quincey

Good morning.

Bill Chappell

Can you just – I realize it's still early, but any kind of thoughts of how coronavirus changes your plans in China, be it just current sales or plans to rollout Costa? And also maybe any update or reminder of kind of what SARS did to numbers, if anything, 10 years ago or 15 years ago?

James Quincey

Sure. Well, starting at the end, obviously China's economy was in a different place when SARS happened almost 10, 15 years ago. Net-net when seen on an annual basis, the effect was not particularly noticeable from a business point of view. Obviously, the human and health point of view is different, but from a business point of view SARS did not ultimately seem to make that much difference. It's worth noting the Chinese economy is much bigger and this could become more connected to the rest of the world. China accounts about 10% of our global volume, less on a profit and revenue basis but about 10% of our global volume. It is early days. Our focus is firstly our employees' safety. Secondly, to support efforts the Chinese government wants in accommodating what needs to be accommodated to help them deal with the crisis, whether that's making donations of product or money to help in the efforts which we've already done through the Coke Foundation, through the Coke system and through donation of product. And then thirdly, to worry about business continuity and recoverability or recoverability and then continuity. So far, of course, the short-term effects are the offices are closed, a good number of the factories are closed and so that's the current situation. There will be – there is an effort by of course the Chinese government there still has to be food and beverage available for the population, so we under the auspices of the Chinese government and their kind of crisis management reopening some of our manufacturing facilities to make sure we continue to produce our product for the population and get it distributed in a way that's not going to make the spread – be part of the spread. So it's way too early to tell what the impact in the short term is. And I think ultimately in the long run it will rebalance, as I said, number one priority is employee safety; number two is help support the efforts to contain the virus and manage the crisis; number three, ensure business can be recovered and to support continuity in the short term.

Operator

Thank you. And our next question comes from Laurent Grandet with Guggenheim. Your line is now open.

Laurent Grandet

Hi. Good morning, everyone. I do have a question regarding the cash flow trend. So clearly strong progress this year which should be a positive for many investors. Now you mentioned in the past you were going through a task of identifying the right size of ownership level of your bottling partners. Could you please update us on that task specifically? Thank you.

James Quincey

Yes. We talked about that in the past in the context of looking at our overall balance sheet and making sure that we are fully utilizing our asset base in the most efficient and effective manner. We continue to look at all aspects of the balance sheet, including our equity investments. It's a thoughtful process. It requires us to work closely with our partners which we are doing. We've had a couple of initiatives in 2019 that you're aware of and we've continued to do what's right for both our balance sheet but also for the businesses that we're invested in. Overall, it's not a material matter when it comes to our future cash flow trends and we'll continue to update you as we make progress.

Operator

Thank you. And our next question comes from Carlos Laboy with HSBC. Your line is now open.

Carlos Laboy

Good morning, everyone. On price/mix, can you comment on the roll of bottler digital platform advances for driving things like directive initiatives by point of sale? Where do you see the system advancing these digital capabilities further as you look out to 2020, 2021, and how important do you think these are as you look ahead?

James Quincey

Sure. The ability to drive RGM absolutely can be made more powerful and to some extent will have a greater reliance on our ability to capture, use analytics to generate the insights for the further round, not just the overall aggregate price packaging but ability to work with customers kind of one-on-one in a segmented way to drive results. So no question that the increasing availability and generalability, if I can just invent that word, of data is going to create a competitive advantage for the Coke system for the bottlers to be able to drive revenue growth management and engage with customers on how to drive it. And then ultimately at some point that will bring in AI and all sorts of other tools, but I see that as all under version 4.0, 5.0, 6.0 of driving RGM and then RGM is a competitive advantage for the Coke bottlers and the Coke system overall.

Operator

Thank you. [Operator Instructions]. Our next question comes from Sean King with UBS. Your line is now open.

Sean King

Hi. Good morning. How are you thinking about the margin impact of the innovation pipeline you have planned for the U.S. in 2020? I guess I'm thinking in particular about Coke Energy. And in that light, any insight you can provide on the pricing and promotional strategy for the rollout of those different products would be great?

John Murphy

Not a lot of news on that. I think the margin impact for both energy and AHA should be overall very positive. I think what we need to most is take a look at the overall innovation pipeline. It links back to what James referred to earlier. It is one of the key drivers of both sustainable top line growth and then also conversion into the kind of margin expansion that we're committed to for the future. I think with the shift from being volume centric to value centric, we've seen our business units at our R&D centers readjust their focus on making sure that what comes out of the pipeline on an overall basis has got the right margin characteristic. So a lot of good work underway and I think we're – you'll see that being reflected in the overall output from innovation not just in North America but in the rest of the world.

Operator

Thank you. And our next question comes from Kevin Grundy with Jefferies. Your line is now open.

Kevin Grundy

Thanks. Good morning, everyone, and congratulations on a strong year. John, I wanted to come back and drill down a bit in the area of productivity. So earlier in the call you said the organization is clear on the opportunity with respect to free cash flow; and congratulations, you've done a great job since taking over. But similarly, is the organization clear on the opportunity regarding productivity and this is something you intend to quantify for the investment community? Do you believe that the incentive structure at The Coca-Cola Company reflects this opportunity beyond just operating income targets, maybe something more specific at the business unit level? And then strategically maybe discuss the role of productivity as an enabler to fund reinvestment to sustain a top line growth? Thank you.

John Murphy

Thank you. Yes, productivity is a critical part of the equation going forward. It's embedded in our long-term growth algorithm and so it's an area of particular focus for us here and around the world. I think it's important to highlight that for the last two to three years, it's offered an outsized portion of the expansion due to the reset of the cost base driven by the transformation plans that are being underway. As we look to the future and I think we talked about this at the Scotiabank conference in 2019, and similar to the cash flow conversation we're very clear on the levers that we have at our disposal to influence the productivity agenda, and it's got to be linked to the overall growth agenda as well. We are very clear on how they relate to the different businesses that we have; the core business, our Global Ventures group and our bottling organization. And so the short answer is yes, it's very much embedded in the operational plan. It's very much a part of the overall compensation model and we expect to continue to make progress, as I said, to deliver on our overall algorithm as we go into 2020 and beyond.

Operator

Thank you. 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

Thank you. As we talked about, we made good progress in 2019 by delivering on our financial commitments and growing in a sustainable way. We continue to transform the organization to act with a growth mindset, which gives us confidence in delivering our 2020 target and our ability to create a better shared future to our stakeholders.

As always, we thank you for your interest, your investment in our company and for joining us today. Thank you.