Tristan van Strien We'll start in the back this time and then work forward. Sorry, Trevor, you were the first time last. Chris, why don't we start with you, please?

Chris Pitcher From Rothschild & Co. Redburn. Can I ask a question about the return on invested capital? Because that's obviously very new, and for decades, shareholders have seen eroding return on invested capital as you've built the business, as you used the phrase, I think, generational growth. Just to confirm, the target for the LTIPS, that includes M&A? It's all in? There's no adjustments for that?

And then when I think about the non-OpCo brewing assets, so licences clearly very accretive to returns, but how does this shape your thinking around retail in the Americas or pubs in the UK or, importantly, wholesale in Europe, which used to come up a lot when we talked about margin and returns? Are there some external factors that you can still pull to maybe improve that return on invested capital number? Thank you.

Harold van den Broek Probably to me, right? Yes, let me take that. Let me take that question. So we make a separation. So the communication that I currently have on return on invested capital is for our senior management population. There is a technicality, and that is that the leadership, Dolf and myself, are not in control of our own LTIP scheme. That is the Annual General Meeting. So that is something that is currently under discussion from the Remuneration Committee. But you can see from the importance that we give it that this is a trajectory we expect that it will follow. You want to interject here? Yes.

Chris Pitcher Hypothetically…

Harold van den Broek Hypothetically.

Chris Pitcher Would you want to align yourself with shareholders by having M&A included in your ROIC target? Because cynically, I would say FIFCO was less dilutive because your return on invested capital is half the rate it was…

Harold van den Broek Yes.

Chris Pitcher Ten years ago, and so…

Harold van den Broek So let me answer that question, but I'll give you my personal view, because as I say, I'm not in control of that. I think over time, yes, no demand. All right? We are making decisions, we should be held accountable for acquisitions as well. So that's an easy answer.

The only thing that we are discussing, and in my point of view legitimately, is that in the shorter-term LTIP timeframe, if you want to do dilutive acquisitions that I've just shown, you still need to do them for the longer-term good of this organisation. But in the period, that is becoming problematic. We don't want to hold ourselves back to invest in the long term. So there's probably a bit of an in-the-period exception for the M&A that has just happened. Just that's my view.

Chris Pitcher And on the other assets, like wholesale, retail, pubs?

Harold van den Broek Yes. So I think Dolf already spoke to it earlier today, but we are really looking at the individual return on invested capital. For example, in Mexico, this has been a fantastic ROIC driver for us as well, the conversion to Six stores, because the operating margin is so much bigger and it's a relatively asset-light model.

In the pubs, we have a very clear set of criteria, that we're not only looking at the P&L benefit but actually also look at the return on invested capital. So part of what we're talking about we really already start to institutionalise in our organisation, including asset-light models, of which CRB is a fantastic example.

Dolf van den Brink Yes. Maybe given that I know it's on many people's minds, so fully echoing what Harold is saying, one of the things that we introduced two, three years ago was economic profit, to start building awareness with management teams about the cost of capital.

Because pre-COVID, I think a five-year bond that we did in 2019 was 1.5%, so in a way, capital was seen as free. And I've anecdotally been sharing with some of you during the breaks that if you ran out of capacity, you introduced a fund application, and basically it got signed up. A lot of fund applications stay below hurdles on RPM, on returnable packaging materials, on coolers, etc. There was never a rigour of really kicking the tyres on it. That we are really in course of dramatically changing.

On wholesale, wholesale, actually it's low operating margin, but it's actually also low capital, because typically we don't own the warehouses and/or the trucks. With the pubs, it's the other way around. It's quite capital intensive, but it comes with very high operating margins. The retail in Mexico, we don't own the real estate, but there's some Capex involved. We have driven a fast-growing awareness in the organisation about the need for margin, but in relation to the cost of capital, to make the model work.

Harold van den Broek Yes.

Dolf van den Brink So it is nuanced. It is not just, okay, it's this or the other. And basically, by bringing return on invested capital into the language, the metrics, the incentive structure of our senior management, we really want to further double-click, as we don't see interest rates come down to pre-historic level. And by the way, we felt that whole notion of capital is free, even at 1.5%, it was wrong. This is clearly a big belief system shift that we are already making for the last couple of years and that we really want to see through now. Thank you.

Tristan van Strien Celine, please.

Celine Pannuti Thank you. Celine Pannuti, JP Morgan. So my first question, if I try to sum up a bit what we've heard today, clearly trying to harness the power of scale, with focus on key brands, a focus on key markets, global shared services. At the same time, I think Heineken is more of a culture of local management. So could you explain how you marry that and how you enforce that locally people that probably thought that they were managing their own business have now to fall in line with what you are trying to impose upon them? So if you could talk about that.

My second question for Harold on, yes, value creation. So you started, or you finished with a fantastic 10% EPS growth CAGR. I don't know how many decades that was. But you did a lot of… Thank you for all the details that you provided in terms of top line growth, further cost savings coming to the bottom line, even an FX projection for the next three years, five years. But what is your level of confidence that you can grow EPS in hard currency?

And maybe another layer to that. If I think about the cash conversion target, what prevents you to have a target that's absolute free cash flow at a time where Heineken, in terms of a free cash flow yield basis, is a bit weaker than some of its peers, since you mentioned a lot of opportunity in terms of working capital and lower Capex? Thank you.

Bram Westenbrink Yes. So I'll take the first question. I think it's a very important question. And I've been always working in OpCos at Heineken, and we truly believe it starts at the OpCo. It starts being close to a consumer. It starts being close to a customer. That's where the idea generation happens. That's where the proactivity happens. That's what we want to keep, always want to keep.

However, there are things that we can scale much faster across. And we can do that now much faster because we have common frameworks, common languages, and we look at common needs of consumers. And I think one of the best examples that it really works well is the Heineken brand. If you look at Heineken Silver in Vietnam, it didn't start in head office. It started in Vietnam, in Ho Chi Minh, where our local people said, look, it's too bitter, Heineken, to ride on the big sessional trend that's happening there.

So it's really getting the best of both worlds. And that means that we always start with local consumers. But now, because we have the archetypes and because we have much more common languages, we much better understand common needs.

But it also means that if you're in a value market, you don't need that many brands. You need about two to three brands that you really focus on, while if you're in a developed market, you need much more brands. But still, choosing which brands you're focusing on, you do commonly with the OpCo and the region. So it's really getting the balance of best of both worlds and really making sure that everybody in the OpCo still feels ownership of the business and wants to win every day in the market.

Harold van den Broek Yes, let me take question number two and three. The first is maybe just the framing that we tried to get right today. We really didn't want to get pinned down on precise numbers that frankly need to be put in a context of a very turbulent world, as we've seen in the last couple of days and I think you also saw in many of the slides today.

So the message that we wanted to convey is the way that we think about it. And that is much better done through thinking about, okay, we want to get operating leverage over time. Earnings per share, we didn't really talk about it so much. We talked previously about operating profit organic growth, which doesn't address currency, and it doesn't address earnings per share.

So the signal that we wanted to give is how we think about medium-term guidance, without being precise on each and every year, this is the number that we're going to shoot for, because ultimately, we're here to do it right year after year. So that was more the logic behind it.

Does it mean, as you saw from the presentation, that we're now starting to factor in normalised foreign exchange? Yes. As I said, we factor it in into our strategic plans, in our incentive structure, in the way that Thibaut and Maria were talking about it. But we don't want to be pinned down on one number and then say, come whatever may, if you don't hit this number, it's a failure. It needs to be put in the relevant context. That's how we think about it.

The second point on free operating cash flow is a very relevant one, and I should have pointed it out on the Green Diamond slide. We do have… Maybe good, how we think about the difference between long-term incentive and short-term incentives. We still believe that in the short-term outlook, for a year to come, we should probably give you an operating profit by a guidance range.

And we will have for our team a free operating cash flow numeric target to drive cash flow for what we need at that moment in time. So the cash conversion is just more about how we consistently think about improvement, but the metrics on a shorter timeframe will be much more precise.

Tristan van Strien Mr Laboy in the back. Sorry.

Carlos Laboy Thank you. Thank you. Carlos Laboy, HSBC. What is the low-hanging fruit that you see from digital investments over the next, I don't know, three to five years for revenue growth and ROIC expansion that you need to sensitise your operators on? And should we be thinking more about revenue growth and ROIC expansion than we really do about margin expansion in that framework you have in mind?

Dolf van den Brink Do you want to, on revenue?

Bram Westenbrink Yes. So I think what you see, what we have done with the different AI cases, you see in sales, it's about driving sell-in and sell-out and being much more targeted there, which we're now scaling. And if you look on the marketing side, it is really about the effectiveness increase and efficiency.

But effectiveness is really making sure you target the right person with the right message at the right moment. And so if I know that you like padel, and I'm targeting you because I have the data with that, your effectiveness goes much, much more up. So that's what we really believe, if you see on the sales agenda and on the marketing agenda, that Freddy.ai will help us accelerate that.

Dolf van den Brink On the ROIC, do you want to answer that or…?

Harold van den Broek Sorry, Carlos, then can you repeat that question on the ROIC?

Carlos Laboy Yes.

Tristan van Strien Is ROIC accretion more important than operating profit accretion? That's what you're asking, Carlos?

Harold van den Broek Ah, okay.

Carlos Laboy Yes.

Harold van den Broek That's it. No, we believe that these things need to be put into balance. Operating profit margin increase is important for us because it says something about the shape of the P&L, right? We need to do it the right way as well, a bit linked to your earlier question about how do we build a more accretive portfolio with more investment space, and more effective in our support costs.

And if the right drivers are there, then operating margin is a really important part of it. Because ultimately, operating margin is also an important element of the return on invested capital, as you know. So it's not only about taking the capital out, it's also about the productive use in the right quality of how that capital is deployed. So we really see them in balance.

Tristan van Strien Stay in the back. Maybe, Mitch, all the way at the end, hiding.

Mitch Collett Thank you. It's Mitch Collett from Deutsche. Two questions for Harold, please. So, Harold, I think you had a slide showing pricing below CPI. I remember at the last investor seminar in 2022, you showed it was 0.5 times CPI, then 0.7. I think towards the end of that, it was actually one. So I'm interested in why you want to move that back below CPI. I appreciate there's a need to drive affordability, but I'm also interested in how that links in you using AI initiatives for revenue growth management.

And then my second question, which is thankfully shorter, is I know you say you don't want to be too precise on the metrics in the medium-term aspiration, but clearly in the EPS component, you had equal to, or above, organic EBIT growth. I guess, given that you said tax stable, interest stable, why is equal-to a possibility? Shouldn't it always be above organic EBIT growth? Thank you.

Harold van den Broek Yes. That last one is quite a technical question, indeed. So I'm not sure I'm going to do full justice to answering that. But on the first point is, indeed, I still remember the chart. But more for the audience, in the Capital Markets Event in 2022, we made a very specific point, and I tried to come back to that in my graph earlier…

Tristan van Strien Yes.

Harold van den Broek That we structurally drove volume through making beer very affordable. And as a consequence of that, we were not pricing for basically input cost inflation. The consequent effect of that was that our margins were eroding, because we were going to a more diverse footprint and we were not getting the pricing to offset that.

That was something that we really set out under EverGreen 2025, to stop and improve, to make that much more intentional. So you're right, we came from a quite low point, and we believe that also based on the data that we see today, that for the next couple of years, where we have had that pricing disbalance, that we now need to bring it back to that about 80%.

Now, clearly, this is a market-by-market, sophisticated calculation. I'm just giving you the aggregate picture. But this is something that we really want to be intentional about, and that is that we believe that the right brand-value equation is a mix of price points, RMG, but also investment to make our brand stronger and deliver the pricing power.

So on your second question, look, it was just an indication, frankly. It wasn't too mathematical, to be honest. It was more to say earnings per share will be greater than in line of, to just say, look, we have the share buybacks potentially coming in if we have excess cash, and we have a good operating-to-net-profit conversion because of the indicators that I've seen. I didn't make it more mathematical than that.

Mitch Collett Okay, one quick follow-up, if I can. On the price-mix side, does that include the benefit of mix? Would it be below CPI including mix or without mix?

Harold van den Broek No, not mix.

Mitch Collett Okay, thank you.

Tristan van Strien So maybe Laurence on the left here.

Laurence Whyatt Thanks very much. It's Laurence Whyatt here, Barclays. There are plenty of slides including population forecasts and what's happened historically, and you talk a lot about legal drinking age population increasing in a number of your emerging markets. There are a number of slides of populations increasing all over the world.

But there's the different issue in Europe, where you've typically got declining populations, particularly of people that consume alcohol. So if you look at, say, the 20- to 60-year-olds within Europe, they're typically declining in a number of markets. And you highlighted markets such as Spain and Italy where that's particularly acute. You've got declines of over 1% per year of that population of 20- to 60-year-olds.

And I'm just wondering, do you expect to get volume growth with this sort of backdrop? I appreciate there has been a shift towards beer from wine, but that would only cover about a quarter of that population change. And I think there was an earlier question on whether you expect volume growth in Europe to come? Do you? And how can you overcome that quite large headwind?

Dolf van den Brink Yes. So in that section I did on the category, I closed it with that 1% volume for the world, but differentiated by region, if you recall. And you would have seen that in what we call the Mediterranean, we do expect volume growth, low on mainstream, a bit higher on premium.

In what we call older Europe, which includes a market like Germany, which has been quite dilutive, about a fifth of the European market, we are very small there, but still, from a category basis, it's there. We do expect a modest market decline at mainstream, but with premium still growing. So we're quite transparent indeed that you can't paint with a brush too broad.

What is now up to us is to not just suffer the category, but shape the category, whether it is coming with all sorts of new propositions like Heineken Ultimate, finding new locations where beer traditionally could not play, giving alternatives at moments where people are not choosing our brands now or going forward. And again, on the Gen Z, the jury is out whether the trend that we're seeing is a temporary effect because of COVID and it will normalise or not.

What we're also seeing is people are living longer and longer healthy. So we were doing all our briefings on the 25-34 consumer. Even when I was marketing, that's a long time ago, that was the target group. We really need to rethink it. That 50 to 60 to 65-year consumer is actually becoming a very meaningful, very… With a lot of, by the way, disposable income.

So again, yes, there are challenges that are different from your emerging market footprint, but it doesn't mean that we just need to sit on our hands and see wherever it's going to land. We do feel, on premiumisation, on moderation, low and no alc, starting to target different age groups, there's still a lot of opportunity for us to pursue. Yes.

Laurence Whyatt Thank you. If I could have one other, just completely separately, to Bram, in terms of the Freddy.ai system designing your marketing presentations. There's been more and more written about people being able to recognise when copy is written by AI, whether that's online or in books or on social media. Why are you confident that a marketing piece written by an AI system will be as effective as one that has been traditionally produced? And do you have any evidence that can support that?

Bram Westenbrink Yes. So let's be clear, we are not saying that all our creativity will be taken over by AI. We truly believe in the power of people. People have imagination, serendipity, synchronicity. So it starts with the creativity, still working with our agency partners based on consumer insights, coming with these big ideas. And the big video I showed you on the Heineken brand, these big TV assets will still be shot traditionally for us for the coming short-term future. That will not be AI. So that's not where you use it. You use it after that.

So when you make all your digital assets, when you make BTL in the shop floor, historically what we did, we had another agency, another shoot, and that was the BTL shoot, all costing an awful lot of time. Then you need translators to make sure your copy line got translated in the right language, in the right place, times I don't know how many assets. And historically, you didn't need a lot of assets. It was one big TV. I'm talking about 20 years ago.

Now with addressable media, digital, but also retail media, you need much more asset development. And that part of the asset development, that will be taken care of by AI. And it will also free up an awful lot of time. The interactions between us and partners that we work with take an awful lot of time. Through Freddy.ai, that will really accelerate.

Dolf van den Brink Good answer.

Tristan van Strien So back up front here. Trevor, please.

Trevor Stirling Trevor Stirling, Bernstein. Two, please, one for Harold, one for Dolf. Sorry, Bram.

Bram Westenbrink No worries.

Trevor Stirling Harold, you've guided some medium-term organic revenue growth, but you're also saying you're expecting a 2% to 3% drag from FX. So should we interpret that as 2% to 3% euro growth going forward?

Harold van den Broek Yes.

Trevor Stirling Okay. And then, Dolf, you've set a very ambitious agenda today. What do you think the hardest bits are going to be to achieve? And where do you think you're going to be focusing your energy in the next five years?

Dolf van den Brink It's doing these things simultaneously, an organisation that historically was very either-or to learn to do end-to-end, to do growth as well as do productivity, to do operational performance and future-proofing by implementing the DBB, integrating new acquisitions and exiting some countries. So it's really about the orchestration. How do you make sure that the system doesn't get overloaded by change?

And the differentiation and the focus agenda that we emphasised a lot today is an important element in that, so that at least operational teams are very clear on the one, two, three things that they really need to deliver, and that you take some of that complexity away and bring it to our level in terms of orchestrating what happens in one sequence.

We have actually put new governance in there. Harold is chairing what we call the Programme Board, where all these big transformational programmes that take those digital projects, but also other change programmes that take people, that take big budgets, that there is one cockpit where that comes together, where we can see interdependencies, where we can see roadblocks, to resolve them, in order to keep it away from the organisation being focused on operating. That is, right now, the single most important thing on my mind.

Because all the fundamental choices have been made, in a way, over the last couple of years, in footprint, in segment, in brands, etc. We are crystal clear where we want to go. Now the pivot is really to operational intensity, and get the organisation in that kind of operational rhythm while we take some of that complexity away and keep the orchestration at our level.

Trevor Stirling Thank you.

Tristan van Strien Robert?

Robert Ottenstein Robert Ottenstein, Evercore ISI. You made a very compelling case that your free cash flow is going to improve significantly over the next five years. I'm wondering if you can just go into a little bit more detail in terms of how we should think about what that can mean.

And I know you're going to give a preference to organic growth. You'll look at inorganic. But for instance, would you go below two times leverage? How low would you go in terms of M&A? Is this more likely to be geographic, white spaces or brands? Any priorities along those lines? Anything else, just to give us a sense of thinking about this over the next five years? Thank you.

Harold van den Broek Yes.

Dolf van den Brink Harold?

Harold van den Broek Yes, I'll give you two points, but not much more than that, because some of this I find quite sensitive information. But I can answer your first question about the leverage. The EBITDA to net debt ratio is below 2.5 times, but we also know, and have recalculated and are updating this regularly, that the sweet spot is between two and 2.2 times. And therefore, we will not go below two, because that is not economically efficient.

And in terms of our geographical footprint, I think what you took out from today is that differentiation and focus, and building that footprint in the more growthy markets, but really looking at the quality of the asset in terms of operating profit, cash flow leverage, are some of the criteria that we will apply. And that is, for example, why we're so happy with our FIFCO transaction, because it is large, very meaningful, but per capita consumption is still very low, hence the advancing beer market comment that Dolf made. I see that Dolf wants to add something on top.

Dolf van den Brink Yes, no, and it's complementing what you say. The answer is very simple. First, yes, cash conversion rate needs to go up from, in essence, slightly below 80 to above 90. So it is a step-up, but it's not… We also should avoid that we make it sound much more dramatic than it is.

It should be at least a ten-point improvement, which is a necessity, because the cost of capital has gone up, and we feel that we can run a tighter ship on the use of capital within the company. That's one part of the answer. The other one is, our capital allocation principles are not changing. And Harold had a slide where we're crystal clear in terms of how we think about it. Yes. Thank you.

Tristan van Strien So let's do James, because he keeps staring at me.

James Edwardes Jones Yes, James Edwardes Jones from RBC. Harold, can I come back to Chris's question around ROIC? And I understand it's work in progress, but if I understood your answer right, you're thinking about ignoring the impact of M&A in year one, which almost guarantees in year two you'll get ROIC going up as the synergies come through, but it won't actually address the real problem, which is that your ROIC has been depressed for many, many years because of that M&A.

Harold van den Broek Yes. So again, I'll be short on this answer, first, it is not at our discretion. This is the Remuneration Committee that decides it for us, and we're just signalling that for the senior management, ROIC will be there. So I made that point before. I stand by that point.

But it's not our intention to do what you just summarised. Let me be very clear about that. The only caveat that we want to make sure that we don't fall into the trap to, that is that we don't do good acquisition because it hurts our pay in year one and year two. That would also be not right for you as shareholders. So that's the balance that we're trying to find. And I'm sure that wiser people in the RemCo can come up with a formula to do exactly that. But that's the message.

Dolf van den Brink But a different way of saying the same thing, practically, you set these targets, every time rolling three years. So every year, you set three-year rolling targets. Now, you set those targets not knowing what kind of acquisitions will happen in that period, so they are not taken into account.

If you then in year two do a big acquisition that's dilutive, that has not been taken into account at the moment of target setting. And that's what Harold is saying. That is then a thing that you would ask the Remuneration Committee a derogation on. Over time, it needs to work. But again, I propose, let's hold it, because after the AGM of next year, we can answer…

Harold van den Broek Yes.

Dolf van den Brink This question definitely, because then this will have been decided, and including yourself, because you will have a vote and a say on this in the AGM.

Tristan van Strien So maybe Ed up front. Sorry. Second row.

Edward Mundy Thanks for taking the question. I think one of the conclusions from today is if volumes come back, everything works, right? The volumes happen, the revenues do what they're supposed to do, the profits do what they're supposed to do, and the whole model essentially works. I think it's quite encouraging that you should be able to take price below CPI going forwards, and that's as it was in the past, relative to the last couple of years.

The question is really that you showed a really good slide that the price per serve, I think, was 1.6 times that of inflation, and therefore the relative price or the cumulative price of beer is still quite expensive in consumers' eyes. I'd love to get your views, Dolf. As you go around the world, which parts of the world do you feel that the consumers are accepting of that and got used to that price, and therefore can grow off that high level? And which parts of the world is where people are still complaining about those high prices relative to what they're used to?

Dolf van den Brink Yes.

Edward Mundy Where's there still sticker shock, and where do you feel like they've absorbed that?

Dolf van den Brink Yes. So again, it's maybe going back to the archetypes. Starting with the developed archetype, US and Europe is very different because the US basically has been taking pricing at full inflation, or a bit above, for ten, 15, 20 years, because the market leaders have driven the market in that way, which was very different from Europe, which was pricing a little bit below inflation. So already within that archetype, there's two stories.

I think the affordability issue in the US has been a long time in the making, because it was a long time of taking this pricing at or slightly above inflation. Europe was the other way around. The problem is created in a very short time frame, but by very extreme pricing, driven by that input cost hyperinflation. Last year, we already moderated our pricing. We're doing this year again. And the price is one element. The other part is the value component, to make sure that we restore our relative affordability.

In the advancing markets, I think it's more moderate, because first of all, we didn't have that historical overpricing like you would have in the US. You didn't have the extreme input cost inflation like we had in Europe. And then in your value markets, some of those markets like for example Nigeria, they're a bit suffering because of the devaluation and how that has been rocking the market. And therefore, we see a bit of suppressed volumes right now in Nigeria.

But in Ethiopia, we were pleasantly surprised how quickly the consumer responded again, and we have high single-digit growth. So again, you need to disaggregate that question into the archetypes and the key markets. And I think we are quite clear, by archetype and by operating model, where we are and what kind of actions are needed. Yes.

Tristan van Strien Good. So Richard up front here, and maybe Gen after that.

Richard Withagen Richard Withagen, Kepler Cheuvreux. Can you talk a bit about the changes, the strategic changes you're making to the route to market in Europe, and how does that contribute to ROIC improvement? And maybe talk a bit about the relationship with your customers in Europe.

Dolf van den Brink Yes. So your route to market. So the bulk of the market is modern trade. Yes, there's no big route-to-market changes there. But it's all about managing your relationship. And I think I emphasised this at the Half Year Results. Yes, we had this round of conflict, but actually, if you look to the last ten years, we have had very constructive partnership with our retail partners. And we're investing a lot in the strategic nature of those relationships.

Bram, you shared the advantage score, or somebody else in one of the videos, or actually, Mr CFO shared that, imagine, that actually in Europe, in a couple of markets, we are the number one FMCG partner in the eyes of our customers, in a critical market like for example the UK. So yes, we had a couple of conflicts. We were very principled about it. We could have compromised, but you would have paid the price for years to come. We saw them through. But ultimately, it is about investing in those customer relationships.

And we actually start seeing some of our customers changing tactics. The big retailer that we had the conflict with in the Netherlands, Jumbo, actually a couple of weeks or one or two months after we came to agreement, they announced that they're exiting that European buying group that was creating a lot of this turbulence that we… So they are basically stepping out of it, because I have to mention that they concluded that the disruption to their business was greater than whatever value it was bringing.

On the on-trade, we have done two, three things. We have right-sized because the on-trade is smaller. I think the organisation moved quite quickly in that regard. If you look, for example, at the purpose state in the UK, it's more profitable today in absolute terms than it was in 2019, even though the segment has declined. And we're investing a lot in Eazle, which is digitising a lot of the relationship in terms of order taking, servicing of our customers.

There's this eternal question about wholesale. Again, it's very low, it's low margin, which indeed is a thing, but it's very low capital. So in that sense, it's more nuanced than I feel sometimes historically people have been speaking about it.

We still judge it quite important in terms of the grip that we have on that fragmented channel, the on-trade, which is actually where disproportionate profitability sits in European markets. Unlike the US, you make much higher margins in the on-trade in Europe than in the off-trade, where in the US, that is much more equal. So I would say at this point, it's more evolution than revolution. Thank you.

Tristan van Strien Okay, maybe Gen. Thank you.

Gen Cross Gen Cross, BNP Paribas. My first question is just on your digital backbone initiative. I think, Dolf, you mentioned again, I think, the ERP system that you have had historically, and to some extent still have, is very fragmented, but you're now at the point where it feels like you're going to do mass deployment.

So my question is, do you think it'd be fair to say, just from that digital environment perspective and that fragmented ERP system, that Heineken's been at a competitive disadvantage versus peers? And now you mentioned that because of that, in some ways, you can almost skip one or two generations forward, is there a point at which you see that actually flipping to becoming a competitive advantage? And when do you think that might happen for Heineken?

Dolf van den Brink Yes to all the elements that you make. It has been a competitive disadvantage. That's how we feel about it. Yes, we believe, in a way, we skip one generation of change, because we go immediately to the modular cloud-based version, and we skip the phase of one static wall-to-wall harmonised ERP system for the world.

One way of… And speaking to the competitive disadvantage, if you look to the way a lot of our OpCos are structured, as they are having their own local administrations, their local transactional finance, you hardly get any productivity out of it. You get maybe 1% productivity per FTE on a yearly basis.

Right now, in our Heineken business centre in Krakow, we get 5% to 8%. So the minute you transfer there, you go from 1% to 5% to 8%. And as Harold shared, in a world enhanced by AI, we expected to go to 8% to 10% productivity. That's huge. And a lot of that has been blocked because we… It was not just that we didn't have the ERP. Again, that is the surface. Underneath was we didn't have to harmonise process and data. And that is what we are really putting in place. And that will allow access to that accelerated productivity gain year over year.

Harold van den Broek Yes. And Gen, if I may just make two points. The modular setup means that it is fit for purpose and fit for pocket. Important. Because there's so much technological development, but modular means that if there is a better alternative, it integrates into the design quite quickly. So it's not a static infrastructure that we're building. Very important addition. And the second one, I also say, because everybody says, look, let's go fast, let's go big, yes, but we are really wanting to balance risk and responsibility together with the opportunity.

Gen Cross Thank you. My second question's completely unrelated to that one, but you made some interesting observations in the morning, Dolf, about consumer survey responses in terms of claimed alcohol penetration versus what you're seeing in some of the different data sets, I think Nielsen data.

I just wondered if that's maybe symptomatic of, in some ways, drinking no alcohol beer used to be something you'd try to hide when you go to the bar. Now it's becoming much more acceptable, maybe it's even becoming cool and fashionable. So in that context, how you think about whether it would be sensible to have a native non-alcohol beer brand, or whether you're happy to have all of these different brand extensions on your core beer brands.

Dolf van den Brink It's a very good question that we're not going to answer.

Tristan van Strien So maybe Sanjeet over there, the second row.

Sanjeet Aujla Thanks. Sanjeet from UBS. One for Harold and one for Dolf. Harold, just on working capital, I think you highlighted opportunity to be below zero. I think some of your peers are negative double-digit. I appreciate there's some geographic nuances, but what's the limit for Heineken? Can you get to negative double-digit, or is negative mid-high single-digit more appropriate for your footprint?

And then for Dolf, coming back to Europe and the developed market outlook, I appreciate all the cyclical, structural debate, the optimism around Mediterranean. But when you put all of that together, when you look out to 2030, should Europe go back to being a flat volume business, growing volume business, with price mix in line with inflation, or how do you see the algo for Europe specifically as we come out of this kind of cyclical weak consumer sentiment? Thanks.

Dolf van den Brink Do you want to start?

Harold van den Broek Yes, let me be quick on the first one, Sanjeet. First, the footprint point that you make, I just want to emphasise that. It's super important, because if we do peer-to-peer comparison, footprint really matters. For example, China is not included in our consolidated numbers, and that makes a big difference. So I just want to call that out.

The second point, as I showed on the graph, is that Heineken Beverages and UBL India are operating different business models. Otherwise, we would be at minus four. What you will have seen is that there is a significant opportunity. But I'm not going to give you the double-digit or not number, because it's at minus one reported, minus four if you exclude those two markets.

Excluding that China footprint, we believe that there's a sizable bridge, sizable, few percentage points, that is already clearly defined benchmark potential that we can do. And the dotted lines that you saw were meant to indicate where we think the opportunity range in the next couple of years are.

Dolf van den Brink Yes, it's a bit of a repeat of the question on Europe, but let me answer it in a slightly different way. First of all, there are sometimes stories like, Europe has been in perpetual decline, which is not true. In the period 2015 to 2019, Europe was growing by around 1% volume CAGR, about 2% or 3% value CAGR.

In what I showed in that slide, we're deliberately a bit cautious, where we say we see that happen sooner in the Mediterranean countries and slower in the other markets, particularly a bit more north. That's what we signalled on the markets.

Then we try to do better, and we aim to do better, and we plan to do better, by accelerating in premium, by doing a better job at mainstream, by bringing in scalable innovation to mainstream, by continuing to lead in low and no. And if there's one area where we have the biggest productivity opportunity still, is in Europe too.

So let's be very clear, our expectations to the leadership of Europe is not to sit on their hands and just stagnate. It is to grow both the top line and to grow the bottom line. And we are quite clear on the priorities and the actions that need to take place there. Yes, thank you.

Tristan van Strien Okay, Simon, and then we'll go to the back.

Simon Hales Thanks. So my first question, I just want to make sure I understand fully my takeaway of the growth algorithm of your P&L as you've outlined it today. I suppose my starting point is we've heard a lot about how and why you're going to get back to mid-single-digit organic revenue growth from here, and from that, with the cost savings coming through going forward, maybe dropping through at a greater rate than we've seen historically.

Maybe if we say 5% top line growth going forward is the average of the mid-single digit, that is 6% organic EBIT growth. You've then got a 3% currency headwind, Harold, as you said. So maybe your reported profit grows at 3%, and then by the time we get down to reported net profit growth and earnings, maybe we're getting 3% to 4% compounding EPS growth from here. Is that the right starting point?

And then on top of that, if that is correct, I suppose the differentiating factors that'd accelerate your reported EPS would be share buybacks incrementally from here. And would they also be a further kick up in the contribution of CRB? Because CRB seems to be an area that clearly, to your presentation earlier, Dolf, is growing very rapidly and could be a very big driver incrementally of reported EPS. That's my first question really.

Harold van den Broek Yes, I think it's a great summary, where the numbers that you've put in are your numbers, just to be clear. But that's how we think about it. Look, it's a bit of a repeat. What we're trying to avoid is really be pinned on arithmetical numbers.

But the way that you were talking about the flow-through and the currency impact, I was perhaps a little bit too quick to say to Trevor, yes, that's what I just said, maybe. I don't know whether it's 3% or whether it's 2% or whether it's… But you get the gist of what we're trying to do, and that's where we really want to stay focused on. And we really don't want to be pinned, certainly not in medium-term guidance, on precise numbers that we need to hit year on year. Some years will be better, some years, we need to work harder to get there.

Simon Hales Okay. And, sorry, just to be clear, that bottom line guidance, that includes the benefit, i.e. organic net profit growing in line or slightly better than organic EBIT. Does that include an assumption on CRB growth within that, or is this really just your own full control P&L that you're thinking about, and that's it?

Harold van den Broek So we said greater than, greater than. So I think both of your points are true.

Simon Hales Okay. And then just secondly, briefly, clearly an increase in digitisation of your business. What are you doing, and what can you do, to protect from cyber-attack, given that increasing backdrop in activity you've seen there?

Harold van den Broek Yes. Let's have a drink about that, because that is an answer that I can bore you with for the next 30 minutes. I feel that we have got an excellent cyber defence centre somewhere that is very vigilant. But we always need to be conscious and aware. We've seen what happens to peer group companies and other companies as well. So I say this also with some caution. But I have a high degree, and we do understand, and we are building by design in that system real, let's call it, cyber defence walls, so that there is not one thing and then it just spirals out of control. So that's the short answer on it.

Dolf van den Brink And let me build on that, because it's a very important point. And let's be clear, I don't think anybody can ever claim to be at zero risk…

Harold van den Broek Yes.

Dolf van den Brink Because that doesn't exist. We have a fiduciary duty to do everything possible to minimise that risk. I think it's also important to say that in our Audit Committee with the Supervisory Board, this is a standing, repeating topic. So also our key stakeholders, our Supervisory Board, are really on this and are proactively informing themselves, what are you doing, what can you do more, are you doing enough?

We are benchmarking ourselves across 20-25 metrics on all parts, components of cybersecurity, how we're doing against others, etc. So it's a continuous improvement process that takes a lot of managerial attention, operationally at our level, all the way to the Supervisory Board.

Harold van den Broek Yes.

Dolf van den Brink But we need to be honest, the risk is not zero. Actually, two weeks ago, we did a whole crisis simulation with the global exec team, what if it happens, how to respond. We did a whole rehearsal on that. So this is very important. We don't often speak about it, but it's absolutely key.

Harold van den Broek Yes.

Tristan van Strien Maybe Javier?

Javier Lastra Yes, thank you, it's Javier Lastra from Berenberg. I wanted to ask about breweries and productivities. You mentioned hectolitres per FTE. When I look at your biggest competitor in the United States, I look at their operations there, the volume size of that operation is similar to the size of your whole European business. And they operate with a significant lower number of breweries over there.

You seem to have a very dense network of breweries, especially in Central and Eastern Europe, and the average size of those breweries are very small. So my question is whether that could be fixed, or there are structural reasons why you can't fix that inefficient structure, and whether we can expect that to be a source of productivity gains and savings going forward.

Harold van den Broek Yes. I tried to make that generic point when I was talking about agile supply chains. And you heard Erwin speak about it, and Magne speak about it. The reality also is that once you have a brewery footprint, it has an advantage of being very close to customers and very agile. It's fresh product anyway.

But it does have a disadvantage that smaller breweries are just simply costing more money in terms of cost and in terms of capital. So what Erwin was really trying to say, in collaboration with markets, we're really trying to find the optimal balance of that.

There is one other element, and that is that agility, transport costs, for example, environmental costs, are also different market by market. So in Europe, it's not the same as in the US. We need to be a little bit of a different solution. But you also heard Erwin say that the journey is not over.

Dolf van den Brink Yes. But it is a trade-off, because you can solve the problem by deploying billions in new capital, building larger breweries, which you'd rather not. So it's not that simple to say we just want bigger breweries.

Harold van den Broek Yes, exactly.

Dolf van den Brink That is the fundamental trade-off. Now, between the two extremes of just taking it as it is versus deploying billions in building bigger breweries, there's a lot that we think we can do and that we're doing right now. Actually, 1st November, if I recall correctly, the Schiltigheim Brewery in France is closing. That's a 1.5 million hectolitre brewery. That's one of the biggest industrial sites that actually is being closed in France. And we all know how hard that is, to do that in a responsible way. So we're taking very tough decisions there, but within the boundaries of avoiding having to deploy a lot of incremental capital into Europe, if that makes sense.

Harold van den Broek Yes.

Tristan van Strien You're getting closer, Dolf. We've got five minutes left.

Dolf van den Brink Okay.

Tristan van Strien So we'll have probably lots more questions this evening.

Dolf van den Brink Let's give Andrea, and then…

Tristan van Strien Okay, Andrea, he gets the last questions, so make it good.

Andrea Quaye Well, one is specific. The other one is slightly more general. So you've talked a lot about… In what you've said, there's many initiatives which should enhance growth going forward, from the focus on key markets, focus on fewer brands, etc., the deployment of the IT platform. Can you talk a bit about the phasing of the top line benefits that you get from these initiatives from here to 2030? Should we expect some of the benefits to start to kick in early 2026, all else equal? I understand the environment, but we should start to see an enhancement?

And the second one is for Harold, a bit more specific. It's about the €1 billion investment on the digital backbone that you've been putting through. Can you tell us, or remind us, about how much has been spent, how much to go and the split between Capex and P&L? Thank you.

Dolf van den Brink Let me be short on the first one. Again, we are deliberately being cautious on making short-term statements, because again, there's still quite some volatility in the global beer market. We don't have a specific view in terms of is it front-loaded or back-loaded. I would say a lot of those differentiation, focus investment decisions we're making in growth need to happen continuously. So again, don't fill the spreadsheets by front-loading it or back-loading it. I would expect it to be relatively, yes, continuous.

Harold van den Broek Yes, and on the second one, the graph that I tried to show, with the dotted line about how our operating expenses, so therefore P&L impact in the D&T spend, was going up, and the gross to net that I called out, is far more than €400 million P&L impact. If you do the equalisation of that, it's about €500-600 million that has been a step-up in terms of P&L impact in D&T. And the balance is therefore capital expenditure, and that will also somehow continue still, but within that corridor. So it just gives you a dimension.

I think the step-up, both in resources as well as in build, the capital infrastructure, is the big step-up has actually happened, and we're trying to normalise that now. So it gives you some indication. But again, as I said earlier as well, AI is evolving every day. So what you hear today is our best view of what we know today.