

## **Coke boosted by international demand**

*Jonathan Birchall*

Strong volume sales growth in China, India and eastern Europe helped Coca-Cola offset declining US consumer demand during its fourth quarter, as the world's largest soft drink company reported earnings that exceeded Wall Street's expectations.

Muhtar Kent, chief executive, said that during its 2008 financial year Coke had sold an additional one billion cases worldwide, roughly the equivalent to its entire sales in Japan, its fifth largest market.

Coke saw its strongest growth in its emerging markets, with volumes up 29 per cent in China and 28 per cent in India. In contrast, case volume in the US fell 3 per cent, while increasing by just 2 per cent in western Europe and remaining flat in Japan.

Mr Kent acknowledged that 2009 would be challenging, but said he believed Coke could emerge from the downturn with stronger brands, and was sticking to its long term growth targets, which include volume growth of 3 to 4 per cent.

"While certainly not crisis proof, as no company is, I do believe our global business model is relatively resilient," he said.

Mr Kent said that while economic growth in China was expected to slow, he was confident that Coke had established itself as "an affordable consumer staple" for Chinese consumers, and that it would ride out changes such as declining employment in the industrial cities of the coast.

"We are selling to those rural customers, we were selling to them before they migrated to the cities, and we are selling to them now".

Coca-Cola has introduced new lower-cost bottle formats in markets such as China and Mexico to drive sales, a strategy it has also extended to the US and Europe, where it recently launched a 99 cent 16oz Coke bottle aimed at young consumers.

New price points and formats, he said, would help "to ensure the affordability of our brands is still in place for Chinese and Indian consumers, and consumers across the developing world."

Gary Fayard, chief financial officer, warned that the company expected to face a 10 to 12 per cent impact on its operating income from the strong dollar in the first quarter, as the strength of the US currency weighed on earnings from smaller companies whose currencies were not covered by its currency hedging.

He also said Coke did not expect the dollar's strength to continue, given the macro-economic pressures on the dollar. "At some point it is going to turn, we just don't know when it's going to turn."

Coke's net revenue fell 2.7 per cent to \$7.13bn, reflecting the divestiture of some bottling assets and the impact of the stronger US dollar. Its net earnings fell to \$995m, or 43 cents per share, in its fourth quarter. Excluding a 21 cent impairment mostly related to its largest bottler, its earnings per share were up 10 per cent.

Coke shares were up almost 6 per cent at \$43.74 in late-morning trading in New York.

**Financial Times, London, 12 fev. 2009, Companies, online. Disponível em <[www.ft.com](http://www.ft.com)>. Acesso em: 13 fev. 2009.**