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CONFERENCE CALL

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Operator: Good day, everyone, and welcome to the Arca Continental conference. All lines have been placed on mute to prevent any background noise. Please note that this call is being recorded. After the speakers' remarks, there will be a question and answer session, and instructions will be given at that time. For opening remarks and introductions, I would now like to turn the conference over to Melanie Carpenter of I-Advize Corporate Communications. Ma'am, please go ahead.

Melanie Carpenter: Thank you, Katie. Good morning, everyone, we hope you're all well. Thanks for joining the senior management team of Arca Continental this morning to review the results of the third quarter of 2020. The earnings release went out this morning and it's available on the Company website at arcacontal.com in the Investor Relations section.

It's now my pleasure to introduce our speakers. Joining us from Monterrey is the CEO, Mr. Arturo Gutierrez, the CFO, Mr. Emilio Marcos and the Chief Commercial and Digital Officer, Mr. Jose "Pepe" Borda, as well as the Investor Relations team. They're going to be making some forward-looking statements, and we just ask that per usual, you refer to the disclaimer and the conditions surrounding those statements. We imagine that several of you are working from home as are some of our operators, so we just ask for your patience and hopefully we can get through this call as well as can be. And with that, I'm going to turn the call over to the CEO, Mr. Arturo Gutiérrez, to begin the presentation. So please go ahead, Arturo.

Arturo Gutiérrez: Thank you, Melanie, and good morning, everyone. Thank you all for joining us today to discuss our results for the third quarter.

I'd like to first take a few moments to express my sincere acknowledgment and recognition to our team for their unwavering commitment to serve our customers and consumers.

The dedication of our associates in supporting our communities during the pandemic has been exemplary. I want to thank them for everything they do to represent Arca Continental so well.

Turning now to our performance, I am pleased to report that our company delivered another quarter of sequentially improving results, overcoming an adverse business environment impacted by the COVID-19 pandemic.

Consolidated revenues in the third quarter reached $44.8 billion pesos, up 5.6%, while total consolidated volume declined 5.6% to reach 555 million-unit cases.

Our business improved versus the previous quarter with encouraging results. Volume performance was better-than-expected during the quarantine and sequentially improved throughout the quarter.

Our markets in Mexico and the U.S. had a good performance versus last year, as pandemic-related closures and mobility restrictions eased to a certain extent.

Our South America business trends also began to recover, as businesses and economies started reopening. In addition, our snacks business has remained very resilient.

Importantly, our market position remains strong. We are sustaining value share across all our territories in the region.

Consolidated EBITDA for the quarter rose 7.7% reaching $8.6 billion pesos, representing a margin of 19.3%, for an expansion of 40 basis points.

We have taken several bold actions to optimize our cost structure. We are moving forward with our disciplined expense control plan announced at the beginning of the pandemic and also strengthened mechanisms to further improve visibility of cash flow, working capital and liquidity preservation.

One of the highlights of the quarter was the launch of Topo Chico Hard Seltzer. In Arca Continental, we fully support The Coca-Cola Company's Beverages for Life strategy, and we are committed to exploring new products in dynamic beverage categories.

As you may know, Topo Chico mineral water got its start here in Monterrey. It has a strong 125-year history and we are so proud that Topo Chico Hard Seltzer was inspired by the Topo Chico brand.

Let me expand on the results across our operating groups and geographies, beginning with Mexico.

Total volume in the third quarter declined 4.2%, cycling hard comps but delivering a sequential quarter on quarter improvement of 2.1%. Volume trends in Mexico continued recovering, as mobility restrictions began to ease, and more points of sale started to reopen.

From a channel perspective, the traditional trade delivered strong growth, while the decline in the on-premise channel moderated. Our focus on strengthening an impacted traditional channel through numerous commercial and social initiatives has proven to be effective, resulting in a 3.7% growth. Notably, 100% of our customers in the traditional channel in Mexico were opened as of August.

We continued supporting reopenings in the on-premise channel, with initiatives such as "Open Kitchen, Local Kitchen", which have helped more than 50 thousand outlets and at the same time captured over 3,600 new customers.

Total net revenues in Mexico rose 1.9% in the quarter, to reach $19.2 billion pesos. Average price per case, not including jug water, rose 6.2%, reaching $65.81 pesos, sustained by our revenue management and affordability initiatives.

During the quarter, we executed commercial initiatives focused on protecting portfolio affordability, supported by our returnable presentations. Returnable packages not only deliver an affordable entry price point to the category, but they also strengthen our household penetration, market share and conversion rates.

Furthermore, the mix of multi-serve packages grew 5.6% in the quarter, mainly due to new buying patterns and consumer behavior preference for these formats. In response to this market dynamic, we accelerated the introduction of multi-serve returnable packages supported by our new “Universal Bottle”, with a wide variety of products.

Moreover, we were able to grow value share in NARTD beverages, as a result of the excellent market performance in still beverage categories, such as water, sports drinks and juices & nectars.

EBITDA increased 4.5% to $4.8 billion pesos in the third quarter, representing a margin of 25%, for an expansion of 60 basis points.

Despite the volume contraction in the quarter, we were able to expand margins, driven by price increases above inflation, raw material tailwinds, and efficiency initiatives.

Turning now to our operations in South America, total volume was down 10.8% in the third quarter, as a result of declining volume in Peru and Ecuador, which was partially offset by growth in Argentina.

The region is facing a sharp downturn this year as lockdowns have continued to pummel activity levels. Nevertheless, third quarter volume confirmed the overall sequential improvement trend from the first half of this year, when the decline reached 16%.

Total revenues for South America decreased 2.1% in the quarter to $7.7 billion pesos, while EBITDA declined 2.8% to $1.4 billion pesos, representing a margin of 18.5%, for a contraction of 10 basis points.

In Peru, total volume declined 15.9% in the quarter. As you remember, the stringent lockdown implemented to contain the COVID-19 spread gave a historic blow to the economic activity, contracting by nearly a third.

However, the phased reopening of different sectors has helped increase activity and establish strong recovery momentum. Over 93% of our customers are now open, with 100% of the traditional channel doing business, from a low point of 80%.

We grew both volume and value share in the quarter, driven by the sparkling category. Coca-Cola brand showed its resilience, growing 8.2% in September. Fanta also posted positive results thanks to the launch of the returnable 1.5- and 2-liter packages.

Also in the quarter, we launched the 600ml PET bottle of Inca Kola and Coca-Cola, seeking a more competitive price per liter presentation.

The traditional channel continued proving its resilience with only 1% volume drop in the quarter. September was positive, up 5% compared to last year.

We launched a new website, “Open Store” or “Bodega Abierta” to provide thousands of customers in the traditional trade channel with free tools to manage their business and stay on top of the safety protocols in order to remain open.

We also provided virtual training to more than 7,000 mom & pop customers, through alliances with different institutions, on topics such as how to best run their business, accessing credit, managing changes in consumption occasions and adapting to the new shopper and consumer dynamics.

Shifting gears to our beverage business in Ecuador, total volume dropped 11.7% in the third quarter.

A nationwide quarantine was announced since March in response to a rapidly escalating domestic COVID-19 outbreak. Restrictions have been gradually eased since early May and most measures have now been lifted.

Mobility data shows that activity has returned to just 20% below pre-COVID levels. 98% of our customers are currently open from a low point of 46%. The traditional channel went from 60 to 100%, as we deployed initiatives to support their reopening.

The sparkling beverages segment stood out once again. Coca-Cola brand posted a favorable performance in September, up 3.5%. We expect this positive trend to continue, as we accelerate our initiatives to increase coverage in returnable presentations across all our brands nationwide.

Tonicorp, our value-added dairy business, posted a double-digit sales decline in the third quarter.

In the wake of the pandemic, Toni has faced a challenging environment. The overall dairy industry in Ecuador has been impacted by a significant drop in demand.

Despite this contraction, Toni leads the value-added dairy industry, with a growing trend in value share in core categories such as yogurt, flavored milk and ice cream.

We continued reconfiguring our portfolio to support the economy of families with new presentations oriented towards affordability, without losing nutritional properties and thus maintaining our high-quality credentials.

I will conclude my commentary on South America with our business in Argentina, where COVID-19 remains a hotspot.

The government recently announced another quarantine extension, suspending international flights and keeping borders closed for international tourism. Argentina is the only country in the region that has seen a consistent rise in new cases since early-July.

Despite these mandatory restrictions, our operation delivered sequential volume growth, up 2.1% in the third quarter, driven by growth in colas and still beverages, up 9.5% and 7.2%, respectively.

We continued actively promoting affordability with returnable bottle initiatives. Importantly, our mix of returnables grew by a high-single digit in the quarter.

Moving on to our beverage operation in the United States, total volume declined 4.4% in the quarter, reaching 112 million unit-cases, as we continued to see the impact of the COVID-19 pandemic in terms of closures and restrictions, particularly in the on-premise channel.

Total revenue rose 0.3% in the third quarter to reach $747 million dollars. Our price-package strategy enabled us to deliver solid topline results, raising our price above inflation.

Net price in the US grew 4.9% with a 4.8% true rate increase and a positive mix impact of 0.1%, driven by high revenue packages such as 12oz Cans, Transaction Packages, Energy Category and Body Armor.

We are starting to see a slow recovery of the FSOP channel as customers start reopening.

Conversely, the Large stores channel continue to outperform as consumers are increasing At-home consumption, resulting in this channel growing 4.5% vs prior year.

We continued driving innovation in our still beverage portfolio. This quarter we launched new flavors of smartwater in 700ml presentation. We also launched Powerade Ultra and Powerade Power Water to expand our presence in the flavored enhanced water category.

We are also capitalizing on the recent launch of AHA and rapidly gaining share in the fast-growing sparkling water category.

On the profitability front, EBITDA grew 9.0% reaching $106.6 million dollars, representing a margin of 14.3%, a solid expansion of 110 basis points.

These results reflect the steady progress of our revenue management initiatives while following operational discipline to control expenses. This equation allowed us to grow earnings faster than sales.

We also accelerated the pace of key digital initiatives in our pipeline, especially our E-commerce platform Mycoke.com, as more and more customers shifted to online shopping. The number of ordering customers on Mycoke grew 31% in the quarter.

Let me close the review of our US operation with an update of our synergy program. We are 100% on track to capture $90 million dollars in synergies over a three-year period.

Our new facility in Houston, Texas is fully operational and has been a major enabler of these synergies. The plant brought great flexibility in terms of production, as we had to adapt to a shift in consumption of certain SKUs.

And now, to conclude with our operations review, let´s move to our Food and Snacks businesses.

Wise Snacks delivered mid-single digit sales decline in the third quarter, impacted by the closure of outlets due to COVID-19.

The E-Commerce channel continued its strong performance, with over 70% growth versus last year. We relaunched our Variety Pack portfolio and Wise Golden original on Amazon.com.

Bokados in Mexico posted solid high-single digit sales growth, driven by the traditional channel. We have continued our pilot program to distribute Kellogg's products, including cereal bars and Pringles chips in select territories in northern Mexico.

We are committed to adding value and delivering great brands and products to our consumers, while leveraging our distribution and merchandising capabilities in the traditional channel.
Also, a new distribution center was opened in Mexico City, as we deploy our plan to become a national brand in this country.

We will continue making targeted partnerships and driving innovation in our portfolio while further expanding distribution capabilities in new territories.

Inalecsa posted a low-teens sales decline in the third quarter. As you remember, the COVID-19 outbreak in Guayaquil quickly escalated to one of the worst in Latin America, though case counts have since stabilized.

We are rapidly adopting new digital capabilities in our snacks operation in Ecuador. This quarter, the AC Digital corporate platform was deployed, with a focus on the traditional channel. As of today, over 3,100 customers utilize this tool to place orders directly.

Let me now turn the call over to Emilio to go over our financial results. Please Emilio.

Emilio Marcos: Thank you Arturo, and good morning everyone, we appreciate your participation in this call.

Our third quarter was still challenging in terms of volume performance due to different mobility restrictions at the beginning of the quarter in each of the countries in which we operate.

As Arturo mentioned, despite the on-premise channels limited consumer traffic due to governmental capacity restrictions, we are seeing a gradual recovery in both the volume and mix across our operations.

We continue to demonstrate our flexibility to adapt to changing market conditions, delivering another profitable quarter driven mainly by three key factors:

First, our price-pack initiatives which remain consistent with our strategy to deliver pricing growth above inflation in Mexico and the United States. Second, tailwinds in raw materials, particularly packaging and third, our cost optimization initiatives that were established right at the beginning of the pandemic together with our disciplined approach at capitalizing on efficiencies.

Now, moving to the results for the quarter:

Consolidated revenues increased 5.6%, mainly due to exchange rate benefits from our US dollar operations and strong pricing in Mexico and the US. We are starting to see a recovery in channel, packaging, and category mixes, which were partially offset by the negative volume performance.

It is important to mention that we reached an agreement with The Coca-Cola Company regarding concentrate prices on sparkling beverages in Mexico.

The new price increase became effective as of July of this year. The agreement is part of our business partnership over the long-term, allowing each to focus on strengthen the Coca-Cola system.

Cost of goods sold were up 5.3% during the quarter. This increase is mainly explained by FX rates and concentrate increase in Mexico, which were partially offset by lower PET prices across all our regions.

Consolidated EBITDA for the quarter rose 7.7% reaching $8.6 billion pesos, resulting in an EBITDA margin of 19.3% for a 40-basis point expansion compared to last year. This expansion was achieved by top-line growth driven by a positive performance in the price/mix of our Mexico and US operations, favorable PET prices remaining lower than last year, and an efficient management of OPEX in all our operations.

Expenses related to COVID19 for this quarter reached $160 million pesos, of which $17 million pesos are non-recurring as our operations stabilize.

When we look at our EBITDA margin results, the US and Mexico posted a solid 100 basis points and 60 basis points expansion, respectively. These results were driven mainly by the factors described before: strong price/mix, lower raw material prices, SG&A efficiencies and, a steady progress in delivering synergies in our beverages operation in the US.

Our South American operations EBITDA margin recovered, from 12% in the second quarter to an 18.5% in the third quarter, only 10 basis points lower versus third quarter 2019. Despite still facing a significantly challenging environment, the three countries have had sequential top line improvement and effectively executed OPEX savings initiatives.

We are still on track to achieve our target of $90 million dollars in synergies, with around $80 million to be delivered by the end of this year, and some carryover for 2021 as our Houston production facility completes a full year of operations. The Northpoint facility is set to bring a total $30 million dollars in annual savings in costs and operating efficiencies.

Comprehensive cost of financing in the quarter registered $1.1 billion pesos from $709 million pesos due to an exchange rate loss of $208 million pesos as a result of our cash position in US dollar. Net Income increased 6.6% to $2.9 billion pesos, which represents a margin of 6.5%.

Now, let's turn to the balance sheet.

On September 30th, 2020, an extraordinary dividend of $1.50 pesos per share was distributed, which led to a payout ratio of over 70%. Our capital allocation priorities remain consistent and we continuously analyze different options to return value to our shareholders.

As of September, our cash position was $32 billion pesos with a debt of $53 billion pesos, which reflects a net debt to EBITDA leverage ratio of 0.8 times.

Our CAPEX investment in the third quarter was $4 billion pesos, around 47% less than last year, as investments were optimized to better meet the needs of the current consumer environment. We expect to return to our regular CAPEX levels next year as the contingency continues to positively evolve.

Looking ahead toward the end of the year, our priorities have not changed. We will continue our disciplined OPEX execution, reinforce our digital and commercial initiatives, and strengthen the relationship with our customers, particularly in the traditional trade, which is a key component of our positive results.

In 2021, we will focus on those priorities that accelerate our recovery and more efficiently serve our customers while maintaining a solid profitability level.

And with that, I will turn it back to Arturo.

Arturo Gutierrez: Thank you, Emilio.

2020 has been an unusual and challenging year for all, but we are encouraged by our results and our ability to thrive and excel during this COVID-19 pandemic.

Our first priority is and has always been the safety of our associates; we put in place robust processes and policies to protect our employees and customers and further limit the spread of the virus.

We are keenly aware that the uncertainty of today's health and economic landscape is likely to extend into 2021. Therefore, it is more important than ever to keep a long-term vision of the business, while focusing on preserving and strengthening our relations with customers, consumers and the community.

Our market focus and operating flexibility has allowed us to swiftly adapt to a weaker overall consumer environment, while maintaining profitability and market share. The progress we've made in terms of revenue management and stepped-up execution prepares us to rapidly adapt to the new market dynamics.

Consumer behavior has changed dramatically during the pandemic. Undoubtedly, COVID-19 has pushed consumers online faster than expected.
As you may remember, last year during our Investor Day we laid out our digital transformation plan and the journey we embarked on.

This pandemic has certainly been an accelerator of our digital initiatives, and thankfully we were ready to pick up the pace at just the right time.

We believe e-Commerce and home delivery platforms as consumer preferences that will remain after the contingency. As a result, we deployed new omnichannel capabilities and expanded the number of touchpoints with "AC Digital", our e-commerce mobile application.

In the US, we are expanding our online B2B platform with new digital capabilities, including payments, loyalty programs, and launching a new myCoke.com application to better interact with customers.

We optimized our portfolio of SKUs, shifting towards package sizes that better adapt for online sales and redeployed consumer and trade promotions towards digital, in order to grow beverage incidence.

I also want to highlight the outstanding resilience of the traditional channel. We are convinced that mom & pops are the heart and soul of our communities and are the key to reactivating economic local activities.

We have been actively supporting their reopening and helping them emerge from this crisis.

Another top priority going forward is to expand the reach of our digital platforms to the traditional trade and to strengthen our relationship with these customers by facilitating access to other consumer products.

As we look to the remainder of the year, we will continue stringent oversight of our financial resources and seek additional opportunities to reduce costs and expenses.

We are following the same disciplined methodology that we are familiar with to attain synergies in the integration of new businesses.

These actions have always been an integral part of our operations, but will be further emphasized in the upcoming quarters.

Our solid institutional foundation, sound financial discipline and firm dedication to adapting to the dynamic needs of our customers and consumers, are the platform on which we will capture new opportunities for growth in the beverage and snacks industries.

That concludes our remarks, operator we are ready for questions please.

Operator: Thank you. At this time, we will open the floor for questions. If you would like to ask a question, please press the star key, followed by the one key, on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, please press star two. As a reminder, due to high interest and time, please limit yourself to one question. We will pause for just a moment to allow everyone the opportunity to signal for questions. Thank you. Our first question will come from Ben Theurer with Barclays.

Ben Theurer, Barclays: Hey, good morning Arturo, Emilio, Pepe. First of all, congratulations on the results. I have just two very quick ones. So one - the concentrate price increase in Mexico. That's because of the formula because the business did so well in what you were able to expand gross profit in Mexico, hence there was like a retrospective increase on the concentrate price for every time you do well, you're going to have to share a little bit with The Coca-Cola Company, is that correct?

Arturo Gutierrez: Good morning, Ben. Well, yes, that is I guess conceptually correct. We have, as you know, a well an agreement with the Coca-Cola Company that is different to what we had before. Regarding concentrate prices and sparkling beverages in Mexico. I think our agreement now is based on criteria. We have an ongoing conversation. And certainly, we had a very good third quarter as you saw growing EBITDA even with this impact of concentrate price increase, which was not significant as you can see from our results including margin. So yes, the answer is yes.

Ben Theurer, Barclays: Okay, perfect. And then the actual question I was having it's about high fructose corn syrup. So where do you stand on the contract ticket in Mexico and US just considering what's going on in the commodities market to get a little bit of a sense into 2021 from some of the sweetener costs you might be facing and what you're going to have to do on a price pass through into next year. Considering some of the prices there where we are right now.

Arturo Gutierrez: Yeah. Well fructose prices in…it should remain stable in dollars, I would say. We have hedged most of our needs for 2020. The remaining is at a spot price that is slightly probably even slightly below the hedge, maybe for 2021, the prices would be higher if current corn prices continue at current levels.

In Mexico, we expect a total year price reduction in 2020 compared to 2019 due to a decline in corn prices in the last few months; it's similar to the US prices might increase going forward if the cost of corn continues at the current level.

So, in general, I would say prices will remain relatively stable. But there is some fluctuation as I described. I don't know, Emilio if you want to add something about hedging and how we covered some of that risk.

Emilio Marcos: Yes, well, as you mentioned we have 81% cover hedged for US this year at a lower price than 2019 and the rest is a spot price, which is even lower than the hedge. So we have a very good healthy combination of prices for 2020. For 2021 considering the window and the opportunity of stable corn prices, we have hedged part of the needs for 2021. So we don't see any significant changes on high fructose prices; and sugar, well this year in Mexico, we have higher prices than last year even a little bit above inflation. We expect next year to be most in line with inflation - sugar prices you know that we have our own sugar mill; and in Ecuador, are very stable prices, and Peru, we also have some hedges for next year, lower 75% hedged for next year at a lower price than this year. And Argentina, as you know, we have also our own sugar mill.

Ben Theurer, Barclays: Okay, perfect. Thank you very much.

Arturo Gutierrez: Thank you, Ben.

Operator: Thank you, Our next question comes from Isabella Simonato with Bank of America.

Isabella Simonato, BofA: Thank you, good morning Arturo, good morning, everyone. I have a few questions, first of all, when we look at volumes, right, Coca-Cola guided for volumes in October down low-single digits. If you could comment on how you're seeing the performance across the territories and also with a little bit of focus in Argentina right, which I think was quite of a surprise this quarter, if you could give us a little bit more color. What are you seeing there and the expectation going forward?

And the second question will be the savings. Right. You mentioned almost MXN2 billion in savings year-to-date, if you could elaborate the sources of those savings and what is the general goal that you're looking for. Thank you.

Arturo Gutierrez: Thank you. Isabella, good morning. Let me talk about volume trends first. So if you compare our third quarter with our second quarter, we can see a sequential improvement across all of our operations. If we compare third quarter volumes are maybe it's harder to see the recovery in our main markets Mexico and the U.S. had great results last year. The third quarter

'19 Mexico grew more than 4% and the U.S. more than 3%. So in South America, the situation is different, we had softer comps due to last year's volume declines especially in Argentina and flat volumes in Peru.

So throughout the quarter, we had a slowdown in July and August, which was to be expected. But in September, we had a great result where the U.S. grew 1.5%, Mexico grew even more than that, and Argentina grew close to 8%, again the comps were easier in those countries. So, we had positive volume growth. We had a much better month of September as compared to the rest of the quarter. And South America is still impacted, but with a gradual recovery; customers are reopening in all markets, Mexico and the U.S. better so far. We're still cautious about with the surge of COVID cases.

So what we believe that there is a clear correlation between mobility and volume performance; from the beginning of the pandemic, we've seen that correlation -- and mobility was affected due to restrictions from government. I think it was greater in our Southern American markets with the closure of establishments and since those restrictions were lifted, we have naturally seen a recovery in mobility and in our volumes. So, things are not yet normalized from a mobility point of view, but our volume has had a promising recovery, especially if you look at the traditional trade. I think that is very important to see it - the healthy operation of traditional trade.

And talking about Argentina - Argentina is still under mandatory isolation and that has been extended. However, during the 3rd quarter, our volume grew 2.1% and some categories have proven very resilient. You know, colas is growing in Argentina and our prices were in line with inflation pretty much throughout the quarter, but we are focused on affordability. Returnable packaging is a very important strategy in Argentina and that grew more than 12% - has been growing more than 12% year to date - and it actually grew in the third quarter significantly. So, we continue to expand our returnable portfolio in both sparkling and still beverages and increased coverage with those packages, so, and we also supporting customers to safely operate their business through multiple programs. And so Argentina, as you see, is showing a recovery, but again we had a not very good third quarter last year.

So if we move into the savings program, I will let Emilio go into a little more detail about that, but what I can tell you is that we've been working to manage expenses throughout the crisis committing to reduce OpEx across the board without affecting the operation. We have launched a cost savings and efficiency plan to prioritize liquidity and profitability of our business and we have a team that's coordinating that effort and we're using actually the same methodology that we're familiar with, when we have integrated new businesses in the last few years.

So there are number of things that we've optimized. We have paused hiring except for some critical roles, obviously; limiting temporary labor and that is obviously a consequence as well from declining volume, so we have identified marketing spend that can be optimized. We are also reassessing deployment of capital projects. So, we're revising all discretionary operating expenses and challenging what is essential to make sure that every expense is appropriate. So that is going to continue not only for the 4th quarter, but going forward through 2021.

So I don't know if you want to add to that, Emilio.

Emilio Marcos: Well, only that we estimate for savings for 2020 of around 2.5 billion pesos. We have year- to-date, almost 2 billion. So we expect a little bit more for the rest of the year. And basically all the initiatives and concepts that Arturo just mentioned. We are really revising all discretionary operating expenses and challenging what is really essential to make sure that every expense is appropriate and as Arturo said, we started that at the beginning of the pandemic and it's working with very good results in all operations.

Isabella Simonato, BofA: Excellent. Thank you.

Arturo Gutierrez: Thank you. Isabella.

Operator: Thank you. Our next question comes from Felipe Ucros with Scotiabank.

Felipe Ucros, Scotiabank: Yes, good morning Arturo, Emilio. Thanks for the space for questions, if I can do a first one on concentrate price increases. First, if you could comment on what the magnitude was -- I imagine it was another 1% of sales. And also, if you could talk about the duration, I imagine it's this year but not sure if you have anything set about next year or the following one Coca-Cola Company and then assuming your comments are similar to ones from KOF yesterday, it should proud should probably be one or two years. When you start adding them up, it's 4% or 5% of sales in a matter of half a decade. Right. Five years in a row. So it starts to add up. In Mexico, you guys have very good margins in the mid '20s, but they have been stable to declining in the last five years. So it seems you're sharing a lot of EBITDA with the Coca-Cola Company, while at the same time keeping very little of the improvement. So I don't know if you can reconcile that with the comments you gave to Ben on at what point do you feel like maybe the Coca-Cola Company is taking too much or if you think this is totally fair and how you can maybe forecast in to the market in a more consistent manner. Thanks.

Arturo Gutierrez: Good morning, Felipe. Well, yeah. First, with respect to the magnitude you asked, this is about maybe 0.5% of COGS increase year-to-date. I would say probably Emilio can give more detail and well yes, we have an agreement with Coca-Cola. Well, let me tell you this, we have a 94-year relationship with Coca-Cola and this is part of the franchise agreement, but it is certainly much better now than before. Since we renegotiated the terms. What's important is, any of these actions are implemented on the basis of previously agreed criteria. And we have the opportunity to discuss with Coca-Cola the implications and also how The Coca-Cola Company can continue to support our operations. So this is a relationship that goes two ways – our concentrate conversations have that long term approach. We actually are discussing now how they can support our operation going forward and that is looking to balance our relationship considering all the elements of our economic model. So again - in Mexico in particular where we have reached that agreement, I think we're in a much better spot than we were before, when this was pretty much unilateral without any discussion.

But if you look at our margins, our margins are actually improving, if you compare even under the pandemic, our 3rd quarter margin when this came into effect, it’s more than 28%, it was in the 25.6% something like that a year ago.

So we believe it's a balanced relationship, obviously this is a negotiation. We would always like to end up in a better position. But certainly we believe it's a much more balanced much more stable and equitable relationship with Coca-Cola that we had years back.

Felipe Ucros, Scotiabank: Thanks for the color Arturo, and you know, as analysts every time we sit with investors, they seem to pound on this topic; it’s something that clearly investors care a lot of that is there any way or have you at any point had conversations with The Coca-Cola Company about how to kind of give more visibility to the market in terms of when the increases are coming and what magnitude they are, kind of give them more consistency right because at periods we go many years without any increases and then we got many years with increases and it becomes kind of the most talked about subject in calls and with investors and I'm not sure that's great for you guys. Not great for The Coca-Cola Company or for investors. So is there any way to improve visibility?

Arturo Gutierrez: Well the problem there, Felipe, is that our relationship is very complex. So we cannot disclose just one element of all of our economic models. There are many things going on and the support that we get from Coca-Cola. So it's not only concentrate pricing. So probably that's the reason for not detailed transparency.

Felipe Ucros, Scotiabank: Got it. Fair enough. Thank you for the comments.

Arturo Gutierrez: Thanks, Felipe.

Operator: Thank you. Our next question comes from Alan Alanis with Santander.

Alan Alanis, Santander: Thank you so much. Good day, everyone. Hey Arturo, Emilio, and Ulises, I hope you and everyone around you is doing well. I'm just, I mean I have to echo what Felipe just asked, I mean investors care a lot about this topic and I think that you already got enough questions about it. So I'm just going to do a really quick one on that topic and then change. You have a 50-50 for the Jugos del Valle - everything that doesn't have bubbles anything that is non-sparking - that doesn’t change under this agreement? And does the alcoholic beverages in Mexico, go into the sparkling model or to the JV of Jugos del Valle?

Arturo Gutierrez: Good morning, Alan. Good to talk to you hope you're also well. Well, yes, we have, as you know, separate models for our different businesses. So, Jugos del Valle is a pure 50-50 joint venture and I would say in a traditional way; it's complicated accounting because we manage only the traditional trade and the company in a centralized way serves the modern channel, but certainly it's easier conceptually to understand. In the case of sparkling as you know we have an incidence model which is different.

Every new product that we launch will be negotiated, and will have their own particular arrangement, so Topo Chico Hard Seltzer is not within the JV umbrella, but we can tell you that the gross margin that it contributes to our business is very healthy, and when you look at these categories, it's not only about percentages, but also about the actual peso or dollar contribution per case and that in the case of Hard Seltzer would be higher than sparkling because it's a high-priced product. So I think that's good for us and good for our system and also opens the possibility to explore a whole range of categories.

So, that I think -- it's a positive sign also of flexibility. So, and going back to the concentrate discussion. Our approach with Coca-Cola is to look at the overall business and to try and find the balance considering stills and sparkling altogether.

Alan Alanis, Santander: Yeah. And that makes sense. I mean, I'm just going to underscore repeat what you said. I mean, congratulations on the results. You have a margin expansion and a growing EBITDA is in the middle of the worst pandemics. Clearly you're doing a lot of things, right. And I think, I mean we don't want to surprise you with over emphasizing this topic, given the excellent results that you have just, it's just the thing investors ask so. But yeah, I do -- Just one last question. -- sorry.

Arturo Gutierrez: No, I understand my point is we have a, again, more than 90-year relationship with Coca- Cola and we hope you can trust that we have good negotiations and therefore the best interest of our company.

Alan Alanis, Santander: Yeah, no, that's clearly very evident. Now let me ask you a more strategic, operational question on your business. I mean 100% of the points of sale in Mexico are open, so you're serving the traditional channel. What will happen with, I mean with volumes and profitability as the convenience stores go back into full operation and restaurants, well go into whatever new normal there will be, I mean, you've been extremely good at expanding margins transitioning into the traditional channel and I just want to make sure that if we assume that you can maintain this margin expansion, I'm not missing anything in terms of profitability as you, as the other channels normalize, Arturo.

Arturo Gutierrez: Well, yes. In the case of Mexico as you see the traditional channel has been performing very well. It's incredibly resilient and it's gained relevance, it's a proximity neighborhood store. So it's grown 4% volume year-to-date. And even in the quarter it grew 3.6% volume. So if you look where is that probably volume shifting from, it's coming mostly from the on-premise what we call the eating and drinking channel and leisure channel, which are also very profitable, but even if it's a convenience in Mexico was down as has been down 6% for the year but still very profitable. I think over the years, we've been able to balance our profitability across channels. Costs to serve are different if you think about supermarkets and convenience. And so I think we're very optimistic about profitability for the future.

Alan Alanis, Santander: Got it. Now, that makes sense. I just wanted to confirm that. And again congratulations for the results and stay safe. Thank you so much for taking my questions.

Arturo Gutierrez: Thank you, Alan.

Operator: Thank you. Our next question comes from Miguel Tortolero with GBM.

Miguel Tortolero, GBM: Hi, good morning everyone, thanks for the space for questions. My question would be on e-commerce. I mean, you mentioned in your press release and on your initial remarks the growth that you've been reaching here in this channel, this e-commerce channel and I understand that the comps are still very small, but with all the disruptions we're seeing and the investment you've made in the digital front it would be very interesting to hear how do you picture this channel in the long run, what's the role you see and the role you expect it to have within the portfolio, let's say 10 years, anything you could share would be very helpful.

Arturo Gutierrez: Sure. Good morning, Miguel. Thank you for your question. I will let Pepe will elaborate on that. I'll just tell you that the key for us and digital transformation is to integrate that to our current process and so it's not really a separate list of projects because they have to be connected to our mainstream operation, but we have the dedicated team, implementing the strategy, particularly in e-commerce with our key metrics interaction with food aggregators and -- trying to understand the particularities of -- how to deal with those customers because certainly that has been growing in the States obviously, but also in Latin American markets throughout the pandemic. I will let Pepe the elaborate more on that.

Jose Borda: Thank you. Arturo. And thank you, Miguel for your question. So we are working in different fronts in terms of e-commerce. We have strengthened our structure with a global e-commerce manager and director and we're starting to put people in charge in each of the different operations. And so we are seeing three different plays, one is with food aggregators, in which we are a very good partner of Rappi and we're getting very good information that helps us increase the incidents - that is the amount of how many of the orders have one of our products.

And our goal is to be as good as we are in brick and mortar in the e-commerce arena. So we're expanding also with contract with Uber Eats and Didi. And what we're working there is mainly to make sure that we can get that attachment of one of our products in each order, no? And that's very much food aggregators. In terms of e-retailers we have done a lot of work in terms of pricing guidelines and specific pricing and packaging architectures help these channels really intertwine with the rest of our business working on digital layouts, activation and investment guidelines.

And so we are getting prepared for the growth of this channel that as you said, it's still very small, but is having growth of between 50% and 100% in the different geographies. And also with the pure players like the MercadoLibres in LatAm or Amazon, we are preparing ourselves to work with them as a seller, where we can own that transaction through their platforms and not as a vendor where we just sell to them, so we can work together with them to develop our products.

The other arena where we are working in the business-to-business both in LatAm with AC Digital in the U.S. with Mycoke.com. In AC digital we already have 120,000 downloads of the application and around 90,000 of these customers are already using this application to connect with us and to check the products to check promotions to take orders to evaluate our service, and many different things. So that's pretty much where we are, as you said, it's still small, but growing fast and we are getting prepared to be a very good player in that and be as good or better as we are in the brick and mortar.

Miguel Tortolero, GBM: That's very clear. Thank you. Thank you, both. Now just a quick one on CapEx. I mean it's been evident that you've been more conservative in terms of your CapEx deployment this year given the circumstances that we're going through. So the question would be, how should we think about CapEx for next year.

Emilio Marcos: All right. I can take that one. Well, as we mentioned last conference call, we are looking at each of the investment that we're doing to be in line with the situation of each of the operation. So we have reduced that I think it's going to be around this year 3% over sales; if things, the trends keep positive, we expect to have next year around 6% and then the following years, around 5% over sales on CapEx.

Miguel Tortolero, GBM: Great. Thank you. Emilio and thank you Arturo and Pepe.

Emilio Marcos: Thank you.

Operator: Thank you. Our next question comes from Alvaro Garcia with BTG.

Alvaro Garcia, BTG: Good morning, gentlemen. Good afternoon. I have 2 questions. My first one on pricing in the US, we saw a 4.9% rate increase or 4.9% increase with the majority coming from raised distributor pricing, the nice sequential aclaration there. And my second question is on sort of a broader bigger picture question on...it's basically Arturo, just trying to get your thoughts on what the benefits of being a larger bottler means. And this is obviously in the context of the deal we saw between CEP and Amatil and it's also relevant in the context of the restructuring that Coke announced last week. So just your broader thoughts on the benefits of being a larger bottler and obviously that has a lot to do with digital. Thank you.

Arturo Gutierrez: Thank you, Alvaro. Well, first about pricing. As you know, every year our goal is to capture value adjusting prices in line or above inflation in all our markets and that would leverage our revenue management capabilities and our capacity to implement a segmented brand price pack architecture. So we keep refining those capabilities. It's not just having the will to do it; it's obviously doing it in a better way each time and having the right metrics and the right processes to do it.

So the focus going forward rather than price, actually, it's about profitability if you think about it going forward. In the case of Latin America for example returnable packages might not represent more pricing but margins will be healthy. In the case of the U.S. that net price grew 4.9% which is significantly above inflation, the true rate increases 4.8% and the mix is not that significant. It was only 0.1%. So we did grow in high revenue packages such as 12-ounce cans and Coca-Cola transaction packages, the energy category - Monster - and also the new sports drinks like BodyArmor that is growing fast and it's a higher priced segment. So we do have a change in mix of channels that helps also as we have shifted some of the fountain volume from the on-premise to more the take-home consumption. So, that's helped as well. But we remain committed to that strategy going forward.

And talking about the benefits of being a larger bottler. I would say that over the last couple of decades probably the model of being a Coca-Cola bottler has changed and I think one of the most significant ways in which it has changed is that scale has become more relevant and more important.

We do have an implicit most favored nation treatment by Coca-Cola, but many of the things you can benefit from scale from a procurement, and the scale to have more robust processes within our operation. So if you look at how the business has become more complex, what Pepe just described about digital and e-commerce, the need to have again more refined capabilities - commercial capabilities but also in our supply chain - and as the world moves into digital platforms. I think it's become more and more relevant and when you think about consolidation in the system in the last 10 or 20 years it's created value, I guess, to a great extent because of that.

Alvaro Garcia, BTG: Okay. Great, thank you very much.

Arturo Gutierrez: Thank you, Alvaro.

Operator: Thank you. Our next question comes from Carlos Laboy with HSBC.

Carlos Laboy, HSBC: Yes. Hello, everyone, I know Alan, told us not to beat this horse anymore, but I'm going to give it one more try. Coca-Cola Company likes to say that they want 50-50 profit splits across a lot of markets and the cost-based adjustments very often are to include that 50-50 split, how far are you from a 50-50 profit split with The Coca-Cola Company is one question.

And then just on a follow-up to that can you expand maybe a little bit further on what are maybe some of the new revenue pools that you're discovering with your digital platforms that look like compelling low hanging fruit here over the next year, as you go into 2021 because it seems that you're probably accelerating market share and the opportunities to grow 2021 revenues even faster.

Arturo Gutierrez: Yeah. Thank you, Carlos it's always good to talk to you and let me talk first about profit splits and certainly, as I said before, we believe we have a much more balanced relationship with Coca-Cola and also more open and transparent about the profitability of our respective businesses. So, I think the ideal is to approach that balance across our operations, but that is different from one country to another and certainly it changes over time.

So what we try to do in our discussions with them is to have something that would be more stable rather than looking at a year in isolation. So, we believe that we have now a pretty balanced situation with Coke with respect to does that idea, but not necessarily country by country would put apply. So, but that is the obviously that the spirit of the relationship.

And second, with respect to other alternatives. I'll turn it over to Pepe. But I'll just say that certainly if we are moving it successfully into a digital space, some opportunities might arise and we're now capitalizing most of those for own core business, and it's a lot about collecting information and big data and analytics.

So that's been very interesting; not as a new revenue stream but certainly as a new strength within our company to sustain leadership going forward, but probably in the future that will also create a solid foundation for additional opportunities in the market.

So I will let Pepe comment on that.

Jose Borda: Thanks, Arturo, and thanks, Carlos great to hear from you.

I can tell you about 3 different or potential new revenue stream that are working on or maybe they aren't new but we are enhancing them. One is the direct to consumer. You know that we've had this business for a while here, but we are digitizing it and that gives us a much deeper connection with the consumers where we get to know them more. And as we evolve, we're going to be able to target them by name and use that information in the different platforms in the different interactions we have with them. We serve around 430,000 households, most of them are still in an analog way, but we are rapidly increasing the share of them. Today is 30,000 of them in which we're serving them digitally and understanding very much the connections with them.

The other one is self-serve retail – the vending machines, micromarkets, and how do we interact with consumers. So, we are also expanding into that arena and that is going to help us to move into at-work into places where there is a high concentration of people and that's another important revenue stream. You know we have an important vending business in Latin America, but we think that technology is opening up many different - many other opportunities in that arena.

And the third one is the automation of the traditional trade. You know that we already have a little less than 11,000 customers with our Yomp platform. And just to give you some numbers, we have processed more than 7 million cellphone recharges. We have almost 4 million payments in services, we have processed around 100 million tickets in the process. So that information as Arturo was saying that information we're going to use it to develop our current business but in a while, as this business grows that can also become a new revenue – an important new revenue stream.

We are also serving around those 11,000 customers and what we're seeing is the possibility to also help them with their purchases. And we are also testing that. So there are many other potential new revenue streams that come from the automation of the traditional trade. So I think those are the three main opportunities that we are seeing today in the digital arena. I hope that's helpful.

Carlos Laboy, HSBC: That is helpful. Thank you very much. But back to the original question Arturo. Do you think we are close to a 50-50 now, in Mexico?

Arturo Gutierrez: Yeah, probably, we're not that far from that house.

Carlos Laboy, HSBC: Thank you.

Operator: Thank you. At this time, I would now like to turn it back over to management for closing remarks.

Arturo Gutierrez: Thank you. I'd like to thank all of you for taking the time to join us this morning and for your insightful questions. We appreciate the confidence you have in Arca Continental and we hope that you and your families stay safe.

Operator: Thank you. Ladies and gentlemen, this concludes today's teleconference. You may now disconnect.

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