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PepsiCo, Inc. (PEP)

Q2 2023 Earnings Call
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Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

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OTHER PARTICIPANTS

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Dara Mohsenian  
Analyst, Morgan Stanley & Co. LLC

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.

Bonnie Herzog  
Analyst, Goldman Sachs & Co. LLC

Vivien Azer  
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Andrea Teixeira  
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Chris Carey  
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Peter Grom  
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Robert Ottenstein  
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Stephen Powers  
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Filippo Falorni  
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Gerald Pascarelli  
Analyst, Wedbush Securities, Inc.
Operator: Good morning, and welcome to PepsiCo's 2023 Second Quarter Earnings Question-and-Answer Session. Your lines have been placed on listen-only until it is your turn to ask a question. [Operator Instructions] Today's call is being recorded and will be archived at www.pepsico.com.

It is now my pleasure to introduce Mr. Ravi Pamnani, Senior Vice President of Investor Relations. Mr. Pamnani, you may begin.

Ravi Pamnani
Senior Vice President-Investor Relations, PepsiCo, Inc.

Thank you, operator, and good morning everyone. I hope everyone has had a chance this morning to review our press release and prepared remarks, both of which are available on our website.

Before we begin, please take note of our cautionary statement. We may make forward-looking statements on today's call, including about our business plans and updated 2023 guidance. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, July 13, and we are under no obligation to update.

When discussing our results, we refer to non-GAAP measures which exclude certain items from reported results. Please refer to our second quarter 2023 earnings release and second quarter 2023 Form 10-Q available on pepsico.com for definitions and reconciliations of non-GAAP measures and additional information regarding our results, including a discussion of factors that could cause actual results to materially differ from forward-looking statements.

Joining me today are PepsiCo's Chairman and CEO, Ramon Laguarta; and PepsiCo's Vice Chairman and CFO, Hugh Johnston. We ask that you please limit yourself to one question.

And with that, I will turn it over to the operator for the first question.
QUESTION AND ANSWER SECTION


Bryan D. Spillane  
Analyst, BofA Securities, Inc.

Thanks, operator. Hey, good morning, Hugh. Good morning, Ramon.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Good morning, Bryan.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Morning, Bryan.

Bryan D. Spillane  
Analyst, BofA Securities, Inc.

So, I guess, Ramon, my question is more kind of related just how you're looking at the bigger kind of macro picture and the consumer specifically. I think as we went into this year, there was an expectation that elasticity would increase and there'd be more of a consumer response, I guess, to all the inflation we're seeing really globally.

So, I guess it seems like in the first half, volumes effectively have been better than expected. So, I guess as we're kind of looking forward in the back half of the year and even into next year, could you just kind of give us a little bit of a – some insight into what you're seeing with the consumer, what your expectations are, and just how that may have differed from what we were seeing or what you were thinking maybe going into the start of the year?

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah. Good morning, Bryan. Yeah, so I'll give you two – like, there are two areas which we're looking at very carefully. One is on the supply side, things like become much better. We're seeing much better flow of materials from suppliers. We're seeing, in general, better labor market, and that has helped us to run a better company. So, that's one area we're looking at very carefully. During COVID, it was not perfect. It's becoming better, and that's why you will see that our [ph] costs (03:33) are performing better and how we are flowing some of the net revenue down into the bottom line.

On the consumer front as well, we were planning the year with more of historical data on elasticities both in developed and developing markets, and we're seeing – in the majority of the markets where we operate, we're seeing better elasticities, and that has continued to be during the first half of the year, even though we're seeing lower-income consumers strategizing around obviously optimizing their budgets, but we're seeing the majority of consumers staying within our categories, staying within our brands, and is remarkable what our marketing teams, our commercial teams have been doing to minimize elasticities.
In some respect, it is what we have been investing for the last few years. Our brands are stronger. The perceived value of our products is better than it was and, obviously, we've been able to raise prices and consumers stay within our brands.

Now, we're seeing consumers making some adjustments, right? We're seeing consumers shopping in more stores than before. They're looking for better deals. They're starting to look for optimization. They are going into channels that have better perceived value. They're buying more in dollar stores or they're buying more in mass or in clubs. So, every segment of the consumer is making adjustment. Overall, we're seeing very positive, and I think it has to do with the levels of unemployment that we're seeing all around the world.

Unemployment is very low in most of the economies, if you think about developed markets, but also developing markets. So, markets like Mexico, record low unemployment. Some markets in Asia as well. So, we're seeing overall very good consumer behavior, especially when it refers to our categories, and that's why we raised guidance on our top line and because of the first factor, we raised guidance on the bottom line as well.

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

**Dara Mohsenian**
*Analyst, Morgan Stanley & Co. LLC*

Hey, thanks. So, maybe, can we just extend that question a little bit? You mentioned some of the strength in Mexico. International came in very strong, in general, in the quarter. Obviously, you have a lot of different countries and regions within that and two distinct businesses, but just high-level thoughts on what drove the international strength, the state of the consumer internationally.

And then I'm thinking particularly about the pricing side of things. Obviously, we're sort of cycling tougher comps going forward globally, not just internationally. But can you also give us an update on the competitive environment you're seeing around the world heading into a period when, in theory, pricing drops off as we cycle these tougher comps? Thanks.

**Ramon L. Laguarta**
*Chairman & Chief Executive Officer, PepsiCo, Inc.*

Yeah. Thank you. Thank you, Dara. There are obviously some markets around the world that are suffering from currency situations, and there we have to adjust to the reality, and I'm talking about Turkey, Pakistan, Egypt, Argentina. So, there's a sub-segment of markets where I would not apply the global rule and we're acting very specifically in those markets.

But beyond those markets overall, we're seeing – and I think it's because what I was saying earlier, unemployment levels being very low, we're seeing consumers continue to behave in a positive way. Our category penetrations in most of those markets is still relatively low, and we continue to be an affordable treat in those markets.

So, our products continue to be part of the repertoire that they can afford and they make trade-offs to stay within our category. So, we're seeing that in a very positive way. Now, competitive-wise, I think there's very rational competition across the world from what we can observe in the first half of the year, both in our snacks and our beverage business, and that's what we're assuming in the balance of the year.
Operator: Thank you. One moment for our next question. Our next question comes from Lauren Lieberman with Barclays. Your line is open.

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.

Hey, thanks. Good morning. [Technical Difficulty] (08:34-08:48)...

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Lauren, hi. We cannot hear you very well. You're coming...

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

You're breaking up.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

You're breaking up. I don't know if it's our phone or it's...

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.

Okay.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah. Now, it seems to be better.

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.

Is that any better? Is it better? A little?

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

A little better.

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.

I'll dial back in. [ph] Yes, I'll dial back in (09:07).

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Maybe you can call back.

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.
Okay. I'll hang up and call back [indiscernible] (09:11).

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Okay. Thank you. Sorry for that.

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.


Operator: One moment for our next question. Our next question comes from Bonnie Herzog with Goldman Sachs. Your line is open.

Bonnie Herzog  
Analyst; Goldman Sachs & Co. LLC

All right. Thank you. Good morning, Ramon and Hugh. I wanted to circle back on your guidance. I just had a question on it. Your new guidance implies, I guess, above algo growth in the second half, but I guess it doesn't really imply much bottom line leverage. So, I wanted to understand if there might be some level of conservatism baked in or if you're planning on stepping up your reinvestments in the second half or if there are any incremental headwinds we should be aware of. Thanks.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Yeah. Great question, Bonnie. It's Hugh. You're right in that the balance -- or yeah, the balance of the year guidance is, in effect, 7.5% revenue, 8.5% EPS. That's the squeeze on the balance of the year.

What is implied in the margins are two things. Number one, actually continued strong productivity. And if you look at where we are year-to-date, our pricing and our commodities are right in line with each other. So, the margin improvement that you saw in the quarter, 132 bps on gross and 45 bps on net, is entirely driven by productivity, which is reflective of the productivity investments that we've made over the last couple of years in things like digitalization and in automation and in leveraging Global Business Services to standardize how we operate.

That's actually kind of been a pivot this year, and that's a pivot that I think you'll see ongoing not just in the back half of this year, but actually into 2024 and beyond where we're getting margin improvement out of these productivity initiatives. And obviously, the margins are quite good year-to-date, entirely driven by productivity.

In the back half, you'll continue to see that level of productivity improvement. If anything, it'll accelerate. But we are continuing to invest. We're investing in advertising and marketing, and A&M was up 50 bps in the second quarter. You're going to continue to see us invest in A&M. You're going to continue to see us invest in capabilities. And our investment cycles tend to be more back-half orientated than they are front-half orientated when we have a sense as to how the year is going to turn out. So, that's what you're seeing in the implied guidance in the balance of the year.

It's not that the productivity is going to diminish. It's not that anything is going on with the pricing other than the overlap effects of pricing. It's really a reflection of some of the productivity being reinvested in the back half of the year so that we continue that strong momentum into 2024 and beyond.
Operator: Thank you. One moment for our next question. Our next question comes from Vivien Azer with TD Cowen. Your line is open.

Vivien Azer  
Analyst, TD Cowen

Hi. Good morning. Thank you.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Good morning.

Vivien Azer  
Analyst, TD Cowen

I was looking to actually follow up – good morning – on Bonnie’s question, but just to drill down on PBNA margins, down a little bit year-over-year. In your prepared remarks, you reiterated your confidence in expanding margins on a full-year basis. I was hoping you could just expand on some of the headwinds that you saw in the quarter and what gives you confidence on the full-year margin outlook for the segment specifically. Thank you.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Yeah. Hi, Vivien. It's Hugh. The margins in PBNA was down in the second quarter. We had a big gain on an asset transaction in 2022. We're cycling over that transaction in 2023. And for the full year on PBNA, you'll see the margins up in a healthy way and north of 100 basis points.

Operator: Thank you. One moment for our next question. Our next question comes from Lauren Lieberman with Barclays. Your line is open.

Lauren R. Lieberman  
Analyst, Barclays Capital, Inc.

Hi. Is this better, hopefully?

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Much better.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

It is.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Much better.
Okay. Cool. I'm still sitting in the same place. Okay. So, I was going to ask – really sorry about that. I was going to ask about Gatorade. So, tons of innovation activity. You guys have talked about it. We're seeing it very much in the marketplace. And in the release, you talked about Gatorade being up double digits in the quarter, but when we look at Nielsen, it shows something that significantly trails that. And so, was just curious, I guess, about mix of untracked. How much is maybe some of the performance you're seeing has to do with incremental shelf space and distribution given the breadth of innovation in new product activity there's been?

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah. Lauren, I think there are a couple of factors. The G to DSD has a meaningful impact on timing when we reflect our sales and when the consumer actually buys compared to previous years, so we're much – the cycle has reduced substantially, given our DSD – and that might have some implications on the ratings.

We feel good about the sports category, even though it has been cold in some parts of the country for the month of June and so on. But, in general, we think the categories continues to have healthy metrics in terms of penetration and usage and everything else.

Our innovation, GFit, Gatorlyte, and most importantly for us long term, our powders and tablets is going very, very well. So, we believe in those sub-segments continue to develop, along with G Zero, which continues to attract new consumers to the category. So, we feel good. We're seeing all the execution metrics for Gatorade improving, so inventory on display, service levels to our customers, which were a little bit handicapped in the past due to supply chain issues. So, we're seeing the health of the brand and the category at a pretty good level.

It is true that there are some new entrants in the category like Prime that have been taking some space, especially with younger audiences. They've been affecting Gatorade, but they've been affecting more some other brands in the category that had that kind of profile. So, we feel good about the execution. We feel good about how the brand is performing.

We've increased advertising substantially against Gatorade, and we'll continue to do so in the back end of the summer and the year. So, we feel good about Gatorade. And I think the G to DSD is going to be a structural move that will give us better execution and capacity to respond to weather changes and opportunities in the marketplace going forward.

Operator: Thank you. One moment for our next question. Our next question comes from Andrea Teixeira with JPMorgan. Your line is open.

Andrea Teixeira  
Analyst, JPMorgan Securities LLC

Hi. Good morning everyone. So, my question is more on the balance of pricing and volumes. Obviously, you were lapping some of the most strong price increases from last year and you're expecting – I would say – are you expecting still high-single digits in the second half with volumes more flattish, or still negative? Because to get to the math of 10%, perhaps you're lapping Russia, but seems that the UK and France and Spain have lagged a bit for the top line.
So, I'm trying to reconcile the implied organic 7.5-ish with better volumes. So, in other words, you are seeing some improvement there as pricing [ph] kind of ease off (17:10) for the consumer. How we should be thinking, to Ramon's comment, on some of the discounters and that happening, or are you still seeing room for continued pricing, but to a lesser extent as you mentioned at CNBC interview? Thank you.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Go ahead, Ramon.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah. No, we can have Hugh continue the CNBC interview.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Hi, Andrea. Yeah. So, balance of year revenue, the squeeze is 7.5%. What I think we're going to see is volumes will be sort of in the flattish range for the balance of the year. Obviously, there is still carryover pricing, and I don't think we'll do anything different than our normal cycles on pricing in the balance of the year. You tend to see pricing in the beverage business in the fourth quarter. Frito tends not to go in the balance of the year, but that's TBD. We'll see how the year plays out.

But the implication that we have in the forecast right now is kind of back to our relatively more normal pricing and, obviously, that sets us up for 2024. I mean, a lot of ways to think about it is the back half of the year is a little bit ahead of our long-term guidance, which I think is the momentum that we'll carry forward.

Operator: Thank you. One moment for our next question. Our next question comes from Chris Carey with Wells Fargo Securities.

Chris Carey  
Analyst, Wells Fargo Securities LLC

Hi. Good morning.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Good morning, Chris.

Chris Carey  
Analyst, Wells Fargo Securities LLC

Hey, Hugh, just one quick follow-up on the gross margin. You said that the pricing tailwinds year-to-date are basically in line or offsetting inflation. I couldn't tell if you said commodity inflation. I guess, what I see is about 600 basis point benefit from pricing and a 400 basis point headwind from commodity inflation, so it seems like you're actually tracking ahead. But when you made that comment, was that a total inflation comment, or is there a mix tailwind as well? So, maybe price is actually below what we can see in price/mix? So, I just wanted to clarify that.
And I guess connected is just in the context of full-year gross margin, unless there’s some offsets, it seems like you could see some notable expansion for the full year. Am I reading that wrong, and that's going to allow you to invest, or are there some offsets I'm not thinking about? So, thanks so much.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Yeah, hey, Chris. It's Hugh. So, what I had said was pricing was up exactly in line with our commodity inflation, so both are in the teens and the numbers are basically identical. So, that obviously is not driving margin improvement because those two were essentially offsetting each other.

In terms of the balance of the year margins, we have previously communicated we'd be at least equal with where we were last year. We're now clearly going to be ahead of where we were last year. So, margins will improve this year as opposed to be at least equal that we had previously communicated.

And the driver, of course, behind that is productivity and the things that I've been talking about and Ramon has been talking about for a while. We've made these investments in digitalization. We've made these investments in automation. We've been investing in building out a Global Business Services operation.

And I think that's the pivot that you see happening inside of our numbers right now is the margins will improve, I think, on a sustained basis, and it'll be driven by productivity, and that productivity will come out of those three buckets. So, I don't think this is a one- or two-quarter thing. I think you're going to see margins continue to steadily improve this year and into the coming years.

Operator: Thank you. One moment for our next question. Our next question comes from Peter Grom with UBS. Your line is open.

Peter Grom  
Analyst, UBS Securities LLC

Thanks, operator, and good morning everyone. So, I was hoping to get some updated thoughts on the Celsius agreement and kind of what you've learned over the past several months. Obviously, the growth has been tremendous, but has that outsized growth or better-than-expected share performance shifted your view as to whether this is the right structure for PepsiCo longer term? And then just having previously distributed Bang and kind of given the Bang and Monster news, do you have any updated thoughts as to whether this could impact the growth trajectory for Celsius looking ahead? Thanks.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah, good morning. Listen, I think there's a couple of realizations on this. The number one is that the power of our distribution system and our DSD machine in the US is very powerful and, obviously, you can see by the increase in the numerical distribution and the quality of execution. So, that's one element that makes us feel very strong about our capabilities in the US beverages.

Second, I think Celsius is a brand that is capturing new consumers to the energy category, consumers that were not consuming energy drinks for many reasons in the past, flavor or image or some other elements. That is a positive. The category keeps expanding, and we're glad that that's in our portfolio. And we're working together with Celsius to see additional international opportunities, whether we can expand the brand in some other
markets, especially more developed markets where the category's a bit more developed. Those are the three conclusions that we're taking from our relationship so far.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Right. Then the only thing I'd add is we're very happy with the investment we've made and we feel very comfortable where we are with that company right now. I think we're both benefiting from each other's capabilities.

Operator: Thank you. One moment for our next question. Our next question comes from Robert Ottenstein with Evercore ISI. Your line is open.

Robert Ottenstein  
Analyst, Evercore Group LLC

Great. Thank you very much, and congratulations on another terrific quarter. I'd wondered if we could focus on an area we haven't spent that much time talking about in the past, but is really doing well, and that's Europe. And maybe perhaps parse out for us or remind us the business mix in Europe between snacks and beverages and then talk a little bit about how the business is doing so well.

Very significant pricing. I know you had relatively easy comps, and whether you think that there are structural long-term changes in the pricing dynamics in Europe. I mean, for many years, Europe was very deflationary and extremely tough retail. I'm sure a lot of that persists. But are there clues here that maybe there's structural changes in that environment that can go forward? Thank you.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah, thank you. Yes, good diagnostic, the fact that our European business clearly has had a terrific first half of the year and we're expecting that to continue in the second half. A couple of elements. I think we have a portfolio that is quite robust on the snacks side. We have very good market positions in snacks, and we have good challenging positions in beverages. And our Zero propositions in Europe are growing very fast and they're taking market share in some of the more affluent markets in Europe. So, good portfolio mix and good focus by the team on growing that portfolio.

As you said, we were a little bit late to pricing last year in 2022 and the team has been courageous and has been able to find win-win solutions with our customers in 2023. So, as you see from the numbers, good pricing levels, but what is also very remarkable in Europe is the levels of productivity that the team has been executing through simplification of the business and everything else that Hugh was saying about digitalization and automation and also moving some service to essential points that we can service the businesses more effectively, more efficiently.

So, good work by the European team both on portfolio managed simplification and then in driving productivity. So, we feel good about Europe. We have a very strong business in both Central Europe, Eastern Europe, and parts of the economy that are growing faster. So, we feel good about the portfolio composition and the business going forward.

Operator: Thank you. One moment for our next question. Our next question comes from Stephen Powers with Deutsche Bank. Your line is open.
Stephen Powers  
Analyst, Deutsche Bank Securities, Inc.

Great. Thanks, and good morning. Maybe putting a final bow around Bryan's original top line question. I guess, Hugh, the volume cadence that you implied a little earlier, down 2% or so in the first half based on results reported to date and if I heard you correctly, 5-ish in the second half.

How does that compare with your outlook coming into the year? Because, I guess, just stepping back, I'm trying to get a better sense of whether the 4 points of upside you now see in organic growth versus that February forecast is more driven by better volumes or whether the upside is really driven by greater-than-expected price/mix realization or whether it's some kind of combination. Thanks.

Hugh F. Johnston  
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

Yeah. Hey, Steve. Good morning. It's a combination. Volumes are certainly a bit better than we expected and price realization is a little better than we expected as well, so it's a combo. It's not dominant one or the other.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah. And I would say the commercial teams have done a great job in minimizing elasticity. So, going into the year, of course, we were assuming a little of elasticity that was more based on historical levels. I think we've been positively surprised on the strength of the brands in some markets and, obviously, as I said earlier, the consequence of the investment we've been making.

But the way the teams have executed innovation, have executed range expansion, multiple displays around the store, and some of the tactics we normally use to drive volume and minimize elasticities have been really well executed. I think we'll link it as well to us being a more intelligent company in a broader sense, having better data, having better digitalization and execution capabilities. So, it is all connected, and, yeah, we feel good about how the business performed in that respect versus what we had initially planned.

Operator: Thank you. One moment for our next question. Our next question comes from Filippo Falorni with Citi. Your line is open.

Filippo Falorni  
Analyst, Citigroup Global Markets, Inc.

Hey, good morning everyone. Quick question on Frito-Lay North America. Clearly, very strong results in the quarter. But over the last couple of weeks, we have seen a bit of a slowdown in tracked channels. So, the first question is, what do you think is driving the recent slowdown? [ph] Partly it's obviously cycling (29:09) high price realization, but also just general sense on what you're seeing from a volume standpoint. And then also why you're seeing untracked channels in that business. Thank you.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah, listen, Frito-Lay is having a tremendous year again on top of a very good 2022 and it's been driven by our large brands performing very well, linking to what I said earlier about very strong brand programs and commercial programs. The away-from-home business and the small store independent business where there is a lot of
impulse consumption is not really reflected normally by a lot of the reports that you’ve probably seen, so that might be a gap there. And obviously in the summer, this is very relevant as people move around more.

But we’re seeing – the only thing we’re seeing in Frito-Lay in the last few weeks is the lapping versus the [ph] P6 (30:10) price increase we did last year, so that’s the only element. Everything else, we’re seeing a much better supply chain, so our service levels to our key customers is improving a lot. That’s good news because we were a little bit handicapped in the last year and first half of this year, we’re seeing much broader portfolio. So, the smaller SKUs that drive – we know they drive frequency and they drive penetration in some sub-consumers. So, we’re seeing a lot of positive trends.

Some of our innovation, if you think about Minis or if you think about some of the new launches like the Jerky product or our relaunch of the nuts and seeds, our permissible portfolio, they’re really doing very well along with our big brands. So, we feel good about the portfolio composition and the continued executional capabilities of Frito to drive availability universally almost. So, we’re feeling good about the business.

Operator: Thank you. One moment for our next question. Our last question comes from Gerald Pascarelli with Wedbush Securities. Your line is open.

Gerald Pascarelli
Analyst, Wedbush Securities, Inc.

Hi. Thanks very much for the question. Mine’s also on energy drinks, specifically regarding near-term distribution opportunities. You’ve obviously been a great partner for Celsius since you took over distribution of their products, which has been readily apparent in measured channels. But looking forward, how do you think about the opportunity to penetrate some of the non-measured channels that have yet to scratch the surface, specifically related to foodservice, like college campuses as an example?

And is a comprehensive rollout of these products something we should expect in the back half of this year, or is that more of a 2024 opportunity? I guess, any incremental color you could provide on timing and then the potential halo effect that Celsius could have on your legacy portfolio of energy products would be helpful. Thank you.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

Yeah, listen, we take our energy products along with the rest of the portfolio where it makes sense, right? So, some of the channels you’re mentioning like college, universities, they are very large channels for our energy execution, right? So, when you go to a normal campus, you will see Rockstar, you will see Celsius, you will see our coffee business, you will see the new Gatorade energy, Fast Twitch.

So, you will see all these execution. [ph] Whatever (32:39) there are consumers that are looking for energy, we tend to be there. So, we’re not holding on any opportunities at this point to maximize the reach of our brand. So, no, don’t wait for 2024. We’re executing as we speak.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

Great. Thanks a lot. I think this is the end of the conversation. Thank you very much. Thank you all of you for joining us today and especially for the confidence that you’ve placed in us with your investments. We hope that you all have a great summer and stay safe and healthy. Thank you.
Operator: Ladies and gentlemen, this does conclude today’s presentation. You may now disconnect, and have a wonderful day.

Ramon L. Laguarta  
Chairman & Chief Executive Officer, PepsiCo, Inc.

Thank you, Kevin. Thank you everyone.

Operator: You’re welcome.