PepsiCo, Inc.

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William Marshall: I think we'll get started with the next presentation. Good morning, everybody. We're delighted to be joined today by Hugh Johnston, Vice Chairman and Chief Financial Officer of PepsiCo; as well as the Head of Europe Sub-Saharan Africa, Ramon Laguarta; and Frito-Lay North America, Tom Greco.

Hugh Johnston has been with PepsiCo for 28 years and CFO for more than five years. In addition to his responsibilities as CFO, Hugh was recently named Vice Chairman and also oversees Quaker Foods North America, Global e-Commerce and Global Business and Information Solutions. We look forward to hearing Hugh's perspective on the business and Ramon and Tom's take on their respective businesses. Without much further ado, I'll hand it over to Hugh.

Hugh Johnston: Thank you, Bill. Good morning, everyone. As Bill mentioned, with me today are Tom Greco, who leads Frito-Lay; Ramon Laguarta, who leads Europe Sub-Saharan Africa; and Jamie Caulfield, of course known to you all, our Head of Investor Relations. Before I begin the presentation, I want to start with the Safe Harbor statement. I'll allow you 15 seconds to read this, but it is available on our website as well. Okay.

First, I want to begin a little bit with just a quick snapshot of PepsiCo's financials; a reminder, really, for you all of who we are and how we’re performing. I want to just make five very simple points here.

Number one, we're large. At $66 billion, we're the number-two food and beverage company across the globe and that comports to us tremendous scale advantages.

Number two, we're growing. Over the last three years, our organic revenue growth has been 4%. That puts in the top tier of consumer products companies.

Number three, we manage costs and margins well. Our core operating margin at the end of last year was 15.5% and that's up 70 basis points over the last three years.

Number four, we use capital efficiently. Our net ROIC is 17.5%. That's up more than 200 basis points since 2012.

And number five, we're cash-focused. Our businesses are big cash generators and that enables us to both deliver a yield today of approximately 3% and a healthy share repurchase program. In fact, over the last 10 years, we've delivered $63 billion back to shareholders in the form of dividends and share repurchase.

The strong cash return is really driven by a high focus on cash flow. Over the last three years, as well, our free cash flow productivity, defined as free cash flow over net income, has been 120%. We've made terrific progress both in managing working capital and in managing our capital expenditures tightly.

So, we think these five factors basically show that we have been very, very shareholder value-creation oriented and, as a company, we intend to continue to do so. What I'll show you over the course of the next couple of slides is why we think we're well-positioned to do so. And then we'll do two deep dives this morning; one on the Europe Sub-Saharan Africa business and then, second, on the Frito-Lay business.

What are the advantages that we bring that we think we can sustain the value creation? Number one, it's our brands. We've got 22 brands of $1 billion of retail sales or more. And, in addition to that, we've got 40 brands, a subset of which is shown up here, which are up-and-coming brands between $250 million and $1 billion, some of which we certainly expect will pass by the $1 billion mark over the course of the next few years.

The second structural advantage is we play in strong categories. Both food, convenient food and beverage are about 50-50 in terms of the mix of products across the business or the mix of revenue across the business. About 20% of that is health and wellness, which, obviously, is quite an on-trend category. These categories are also quite complementary. They work well together. They're impulse-driven. They're brand-driven. They have the same customers. They have the same consumers. And they tend to get consumed often in the same moments.

The third structural advantage is geographic mix. Our geographic mix is truly global in nature. A little over a third of the business is in faster growing, developing and emerging markets. Two-thirds of the business is in strong, steady, developed markets.

That geographic balance does create something of a natural hedge for us. It's not a perfect hedge by any stretch of the imagination, but, as economic events come across the globe, such as lower energy prices that we're seeing right now; in some of our markets that's a negative to consumers. In others of our markets lower energy prices are a positive to consumers. It tends to balance out reasonably well in the portfolio.

Organizationally, we're set up in six segments. As you can see on the chart, the largest developed market is North America at 56% of our total revenue. Second largest is Europe at 20% of our total revenue. Latin America is about 14% and AMENA is about 10%. The margins range from low double digits all the way up to the high 20s% and that's basically reflective of two things. One is just the market mix inside of a particular region and number two is the business model mix, whether we're in a concentrate model or a full-bottling model or an operational model as we are in snacks.

The speakers that I'm here with today, Tom and Ramon, represent about 40% of the revenue of the Company and represent about half the profitability of the Company. So their deep dives, I think, will give you a good sense as to why we believe we can continue to do what we've been doing.

In addition to the structural advantages, we're focused on five priorities. These are not new. These are the things that we've been focusing on, really, over the last several years. First, brand building. Second, innovation. Third, execution. Four, productivity. And, fifth, driving cash returns, converting all of that to cash returns, which get back to the shareholders. We're pleased with the progress we'll be making in that regard and we expect to continue to do so.

If you take it together, the structural advantages and the execution against these priorities has resulted in consistently strong financial performance over the last three years. We've either consistently met or exceeded all of our long-term goals as we've laid out here. We've been generating mid-single-digit revenue growth, high-single-digit EPS growth, strong cash flow and strong returns.

This management team is acutely focused not just on value creation, but on sustainable value creation over time. And that's the focus that we bring. We're constantly looking for new opportunities to do so. And, as you'll see, I think, from the subsequent two presentations, we think we have a lot of opportunity to do so in the coming years.

I do want to briefly introduce, now, our next two speakers. First is Ramon Laguarta. Ramon has been with PepsiCo for 19 years. He's currently the CEO of Europe Sub-Saharan Africa. Before that, he was the President of our Developing and Emerging Markets and he's had a number of operating jobs in our international businesses.

Following him will be Tom Greco. Tom has been with PepsiCo for 29 years. He's the CEO of Frito-Lay. Before that, he was the Chief Commercial Officer of PepsiCo Beverages. He's also got an enormous amount of operating experience across the North American continent.

So, with that, I will turn it over to Ramon to tell you a little bit about what's happening in Europe. Ramon?

Ramon Laguarta: Thank you. Thank you, Hugh. Good morning, everyone, and thanks for your time this morning. Hopefully, by the end of the session you'll have a good idea of what our European sector is and why we are very well-positioned to continue growing in the next coming years.

We're a very scale business in Eastern Europe. In Europe, we're a $40 million, $30 million business and we've been delivering peer-leading performance over the last two years, about 4% to 5%. Behind this success is two things. One is the balance of portfolio. We have snacks beverages, and, as you will see, our geographical diversification.

If you look at our balanced portfolio, we are very similar to PepsiCo, a little bit more of nutrition in the European business. We have a very large snack business, accounting for about half of our business. We have very strong market positions wherever we compete, strong right to succeed behind strong brands. It's the Walkers, Lay's and Doritos being very strong brands in Europe. And also strong capabilities we borrow from our global agro-farming and manufacturing, go-to-market and innovation capabilities.

On beverages, we have a leadership position in some NCB segments like tea with the Lipton brand. And we have a very scale number-two CSD business with a very strong non-sugar position in many European markets. As for nutrition, we have a very strong nutrition business behind the Tropicana brand in most of Western Europe. We're leaders in juices in Russia and CIS. We have a very strong dairy business in the East and we are also a very strong healthy cereal business behind Quaker in Western Europe.

In terms of geographical breakdown, we are skewed towards developing markets. We have a very strong business in Eastern Europe, CIS and Sub-Sahara. We also are a very strong business in Western Europe, which accounts for 40% of our business. The UK is the strongest market in our Western Europe business, but we have very strong positions, as well, in Spain, France, Netherlands and Belgium.

Our business in the West skews to snacks. This is largely a snacks business although we have a very scaled CSD position as well and, as I said, some strong NCB positions.

Given the nature of our customers, we have asset-light go-to-market systems. We don't have so much DSD as we have in other parts of the world. We cannot influence our point of sale the same way we do in other countries. And that, together with a very strong franchise bottle model, gives us a higher margin, a higher margin than average PepsiCo in the West.

In the East, we have very strong and growing business. The per-caps opportunity in our Eastern markets is very high. As you will see, the per-caps are very low still. The category of options are very low in our businesses and we believe we can drive continued sustainable growth in the future in those markets. We believe in those markets that still there's a lot of value creation by controlling the point of sale and, therefore, we invest more in company-owned DSD systems, both in our snacks and our beverages business, and that gives a lower margin than average PepsiCo.

If you dig down in the UK business -- I'll do a bit of deep down in the UK and the Russia business. The UK is clearly our stronghold in Western Europe and we have a very large-scale business in the UK, very profitable, growing nicely, based on a very strong-scale snack business under the Walkers brand and the Doritos brand, where we have above 40% market share and continue to grow. We have a very strong Quaker business, growing with the megatrends around healthy cereals. And we have a very strong juice business, with Tropicana and Naked also growing very nicely. We have a very strong partnership with Britvic that allows us to have a lot of scale in LRB and gain share in the CSD business we've done in the last few years.

As you know, the market is quite challenged now in the UK given the increased competition between retailers in the last two years to fight against discounters and e-commerce. However, in spite of that, we've been able grow our businesses behind what we think are three key pillars.

One, continue to invest in our brands, our core brands; our Walkers, Tropicana, Naked, Quaker and Pepsi brands and scaling up the quality of the events. For example, Champions League, we scaled the sponsorship of the Champions League for the next three years. We're building up a lot of scaled events with Lay's and Pepsi in all our Western European markets in the coming months.

Two, continue to innovate behind very clear consumer trends. And I put here some examples; Healthy Breakfast with Hots, Better for You Snacking with crackers under Sunbites and Drink to Eat with our Naked brand.

And, third, obviously, we keep investing. The UK is the raw model for us for the balance of the sector, in commercial capabilities that allow us to navigate very well through the challenged retail environment with revenue management, category management, insights, digital, etc.

If we turn to these, clearly Russia is our largest business. We are the number-one food and beverage company in Russia with a very balanced portfolio; probably the most balanced of all PepsiCo in terms of snacks, beverages and nutrition, and with a very integrated operating model. Clearly, our categories; we run the business as an integrated operating model from the back office all the way to the customer in the majority of the components of the value chain.

We believe there is huge growth potential still in Russia and CIS in the coming years. If you look at the category adoption for most of the business we compete in, it's about one-fourth to one-fifth of Western Europe; so, very low. Obviously, some markets even lower than that. And we believe that there are clear megatrends in the way of urbanization, development of middle class, obviously, the movement from unpackaged to packaged that will drive and is driving the growth of our categories and will continue to drive in the future.

At the same time, we leverage Russia as a gateway to the CIS. And, for example, if you look at our share of market performance in the CIS markets in savory over the last five years, we're now leaders everywhere, leveraging our factories in Russia, leveraging the brand activities in Russia, leveraging the talent in Russia. This is countries like Kazakhstan, Belarus, Georgia, Armenia, Uzbekistan and Tajikistan.

Clearly there are short-term challenges in the Russia business and you've seen it, probably, in most of the presentations. There is nothing new. This country has been through crises in the last 10 years. We have very strong and very experienced local management in each one of the markets, in Ukraine, in Russia, the CIS markets, that have been through these turbulences. And we're managing the business to stay competitive, to make sure that our brands remain relevant with our consumers, and that we continue to provide value to the consumers. We stay as core considerers of value to our customers and we adapt our cost and our business model to their realities to continue long-term profitability with a very clear long-term view on the future, on the long term. We believe that these markets have a lot of long-term potential and the way we navigate the crises has been to always take into consideration the long-term potential.

I'll give you a few examples on what are the key things we're doing to keep driving our performance in Russia in the next few years. One is continue building leading brands. And, within those brands, you'll see we have a lot of global brands; Lay's, Pepsi, Lipton, Ad-Rush. We have a lot of local brands that give us the right to compete in some segments where our global brands cannot, like Agusha to the J7. We continue to drive productivity very heavily to maintain or expand our margins and continue to be the number-one partner to our customers, as you will see.

If you deep dive into brand building, and I've put an example here of Lay's, we have a very strong capability in Russia and Eastern Europe to build new brands. For example, Lay's we started 10 years ago, now is the number-one snack in Eastern Europe. We started with Lipton, also, 10 years ago, and now Lipton is the number-one tea in Eastern Europe. We have Adrenaline Rush we created from zero and now is the leading energy brand in Russia. So, we have a great track record of building brands in the East.

This summer we focused on Lay's. And Lay's we wanted to go deep dive in this demand, Fun Times Together demand moment, where we think there is a huge potential for penetrating even more in Russia. And we took the summer where, obviously, there are a lot of events happening with good weather that drive to that demand moment of Fun Times Together.

We took the best of PepsiCo. We took global brand imagery. We took flavors from around the world. And we listen and adapt to Russia to create a limited edition for the summer. We took global advertising. And we activated very, very strongly around this concept of Summer Tastes Better with Lay's. The local teams did a great job activating with digital 360 and in every single point where consumers had a chance to consume the product – the lakes, the coast, the environment in the riverside in the interior.

Clearly we painted Russia yellow and you can see the results there in terms of market share. We already have obviously a very strong market share in potato chips in Russia with 61%. We grew 4 points of share over the last year with these sorts of investments. And the good thing is that we keep rolling out these activities across Eastern Europe with the same assets.

In terms of productivity, clearly a very strong enabler of our position in Russia, and this we're dialing up, obviously as the crisis develops, we have done productivity across multiple things.

In our assets, we have minimized our fixed assets over time. We have been reducing the number of factories. We keep reducing the number of factories this year. We reduced one juice factory and two dairy factories. We continue to reduce our working capital. We're reducing our cash conversion cycle by 72% over the last four years by reducing SKUs, optimizing our demand-supply forecasting. And we keep driving business model optimization across all the go-to-market, supply chain and back office.

In terms of our customers, and this is a key pillar of our strategy, we want to be the number-one execution company in Russia. We have been nominated the number-one food and beverage supplier for our customers. We want to continue being a big source of value to our customers. And here we're working on two things: capabilities and go-to-market.

On the go-to-market, we have a lot of flexibility in the way we can build go-to-market solutions by category, by geography and by value chain component. And we have this mosaic in a way that maximizes growth potential and minimizes costs. And, for example, this is a guideline, obviously cities, mega-cities like Moscow, we have more company-owned go-to-market systems. In other rural areas we have more third-party. But we're able to really modulate the way we go to market with this level of flexibility.

We are driving more and more cross-category events and we are growing the number of common display snacks and beverages across all colors of trade and that is creating huge value for our customers and for our consumers. And we're investing in a lot of capabilities to continue driving this partnership with our customers in joint business planning, innovation and growth programs and technology.

So, to wrap it up and to give you a sense of why we can continue to be a best-performing company in Europe, along with the priorities that Hugh stated, we're going to continue to invest in brand building. We're making very deliberate choices about which categories we want to invest and how we're going to scale up our investments. And we're going to be leveraging more and more A&M across multiple markets.

Also, innovation. We want to continue focusing on innovation around mega-trends. So, some examples are around Hots, Naked and Sunbites and also value-added dairy in the East. We're going to continue investing in customer-centric capabilities to be the best-preferred partner by our customers. And, obviously, we're going to scale up productivity. We're going to dial up in productivity both in assets and in OpEx's to drive cost returns, improve our margins and continue delivering this peer-leading performance in top line.

And now please, Tom, to wrap it up with the U.S.

Tom Greco: Well, good morning, everyone. And thanks, Ramon. It's great to be back here at Barclays to talk to you about Frito-Lay.

And, first of all, we continue to deliver very strong results. Our net revenue CAGR over the past five years is 3.1%, making it the growth leader within the North American CPG landscape. Additionally, we're maniacally focused on productivity, which has led to a 5.7% CAGR over the last five years and 3.3 points of operating margin expansion.

The great news is we still have plenty of room to grow. In total, Americans spend $1.4 trillion on food and beverages. Approximately half of this, or $687 billion, is purchased in retail channels and is largely at-home consumption. Macro-snacks comprise 13.3% of food and beverage at retail. The other half of food and beverage expenditures is spent in food service, or $702 billion. This is largely consumed away from home. Food service has proven to be a terrific place for us to extend our brands.

Shifting to the top right, we can see that macro-snacks is a very big part of food and beverage with total sales of $125 billion. Americans love to snack with 46 occasions per month. And, at Frito-Lay, we have 16.6% of these occasions or approximately eight occasions per month. We've been gaining macro-snack share for three straight years and we intend to build on this momentum. You've seen this chart earlier this morning so I'll skip right through to the next slide.

Let's talk about brand building at Frito-Lay and talk about Doritos Roulette where one in five chips are extremely hot. Roulette has been a runaway success all over the world. And, in the U.S., we launched Roulette in June. It was the largest limited-time offer in the history of the brand. The program was activated through social media exclusively through digital channels. We had a daily Twitter contest to see who got burned.

Additionally, on Twitter's live streaming app, Periscope, we hosted a game show where consumers could play Doritos Roulette and win prizes. We had over 1,000 hours of live video streaming and generated more than 48 million impressions. Believe it or not, Roulette was the number-three national trending topic that day. Unfortunately, Ben Affleck and Jennifer Garner broke up on the same day and that displaced us from the first spot. This is just one of many examples of how we build muscular brands in today's digital world.

Building our brands through A&M investment is a key plank in our playbook. It builds equity, elevates the consumer experience and enables pricing power.

To ensure sustained growth on Lay's, we took a hard look at how marketplace dynamics were impacting our potato chip business back in 2013. There were three specific findings as we considered refinements to our Lay's lineup.

First, on the consumer side, households were getting smaller. By the end of 2014, over 60% of U.S. households had two people or less, making a strong case for a smaller bag of take-home Lay's. Meanwhile, our customers were facing huge margin pressures. In 2014, grocery margins had dipped over 40 basis points in just one year. And, finally, we knew that over 90% of Lay's take-home business was in just one size. In fact, we had 14 SKUs of 10-ounce Lay's and the majority of the transactions on this size were buy-one-get-one-free.

There had to be a better solution. Supported with sustained media investment, we tested a new price-size architecture for Lay's for one full year with the following objectives: drive household penetration, accelerate market share, improve customer margins and enable pricing runway.

As a result, we recently introduced a smaller 8-ounce bag of Lay's with full variety. We then reduced the lineup on our 10-ounce bag and branded this Family Size. Finally, we added weight to our largest size and branded this Party Size.

During the second and third quarter of this year, we executed this massive change across all channels on Lay's. We've now completed over 25,000 section resets and, in many cases, our customers rewarded us with incremental shelf space to go after the sales, margin and profit opportunity.

While we're frequently reminded that we can never underestimate how long it takes to fundamentally change consumer behavior, by shifting our promotional emphasis from 14 SKUs at buy-one-get-one-free on key holidays to just four to five SKUs, we're pleased with early returns. Customer margins are up, unit share and growth is accelerating, and we're getting excellent price mix and P&L flow-through; all green on our scorecard.

Two opportunities remain; household penetration and volume growth. And, as a result, we've made surgical refinements to our plan in the fourth quarter. Our PC prize-size reinvention was a big change to a big thing and an important step in evolving our price-size lineup to be more relevant for today's consumer and customer landscape.

In addition to brand building, innovation continues to be a major growth driver for Frito-Lay. In terms of at-home innovation, we launched Cheetos Sweetos in March, our first sweet and salty product on Cheetos. It was an overwhelming success as Cheetos was up 10% for the four weeks leading up to Easter.

In work, school, breaks, there's a huge opportunity with on-the-go portion control. Rold Gold Pretzel Crackers meet this need and are driving 10% growth in our ready-to-go portfolio in the cookie-cracker aisle.

Additionally, there is growth in premium better-for-you snacking. In this demand space, we've had a very strong year behind new products like Tostitos Organic Scoops, which is driving 12% growth on our Simply portfolio, along with Smartfood Delights, where sales have literally doubled versus year ago with much more to come in Q4 and in 2016.

In away-from-home, we've reformulated our lineup for schools and have accelerated our education segment growth double digits year to date.

Finally, we continue to build momentum on culinary innovation with our food service partners. As an example, we're testing Fritos Tacos with Taco Bell in Memphis. Here's a commercial from the Memphis test market of Fritos Tacos. (Video playing). So you can see we're trying to solve consumer needs all the time.

Of course, we have to be relentless in improving our service and execution model by providing our outstanding DSD sales organization with best-in-class tools, training and technology. A great example of this is our Doritos Avengers program from earlier this year. In this respect, our digital playbook and selling tools are best-in-class. Avengers was the largest promotion ever executed on Doritos. In one large customer, we executed a promotional endcap all across every store in one week, driving scans 52% during the five weeks of the event.

Finally, we're laser-focused on driving productivity. Within supply chain, we continue to expand GES. This gives us significant productivity as a result of fewer facilities and lower inventory. The great thing about GES is that it is also a growth enabler as it expands SKU availability for our DSD team to sell. This is central to our longer-term plan to build unmatched capabilities in executing at a granular store level. This enables us to put premium brands like Smartfood Air Delights in premium stores and value products like Chester's Fries in value stores. By the end of 2016, we'll have nine sites up in deployment and by 2020 a significant amount of our volume will go through GES locations.

Additionally, we continue to leverage automation throughout the manufacturing process. This includes packaging, palletizing and case picking. Productivity has been, is and always will be a key element in our growth agenda.

So, allow me to wrap up. Frito-Lay continues to perform at a very high level. We led all food manufacturers in the U.S. and Canada in absolute growth in 2013, in 2014 and, once again, year to date in 2015 we are leading growth, as you can see from the chart on the left. We've also expanded margins in each of those years.

In total, PepsiCo North America is having an excellent year. In fact, we've already crossed the $1 billion mark in syndicated data absolute scan growth in measured channels. And, in total, we're more than double the growth of our nearest food and beverage competitor. This is important for our customers and food service partners who really count on us to drive growth in a challenging environment.

At this point, Hugh, Ramon and I would be happy to take your questions.

William Marshall: Thank you. And thank you for the presentation. Tom, I was just wondering, if I start with Frito-Lay, you talked about the revenue management program you started this year. I was wondering if you could put that in context of the 3.1% revenue growth, 5.7% profit growth that we've seen historically, specifically breaking that down between how we should expect Frito-Lay to see price mix and volume flow-through, both in the short term, as you put this program in place, and then, over the long term, more of the ongoing algorithm.

Tom Greco: Sure. Well, I mean the potato chip initiative I just referenced was a big factor in our economics, certainly, in the second quarter. And it was something that we really felt we had to do. We tested it thoroughly and we expected a transition period.

The second thing I'll tell you is we're very excited about some of the metrics that we're seeing out of that. We've learned a lot. For instance, I referenced the customer margins being up, the unit growth accelerating. And, as we transition from, as I said, 14 SKUs at buy-one-get-one-free to a narrower lineup, some of that volume has gone to other brands, which generally are more profit than buy-one-get-one-free potato chips. And, in some cases, it's gone to potato chip flavors themselves where we were actually leaving some money on the table, if you will, on these key holidays with proprietary flavors like Limon Lay's that we were discounting heavily.

So, a lot of very positive things have come of it and it gave us pricing runway going forward on Lay's, which we'd actually kind of run out of. You can only trade up and raise prices so many times before you've got to sort of reset that agenda within potato chips themselves. So, we feel very good about all of those things.

Now, on the volume growth front and going forward price mix, we continue to invest heavily in R&D, invest heavily in A&M and our execution capabilities to get the volume growth back up to historic levels that you're accustomed to. So, no major changes, but this was essentially a one-time reset of our potato chip business that we had to do.

Hugh Johnston: The only thing I'd add to that, Bill, is I wouldn't think of it as a revenue management initiative. I would think of it as a strategic initiative to increase household penetration and increase customer profitability. It has revenue management elements to it, which, obviously, we're pleased with, but that was not the intent. The intent was to, basically, increase the strength of the brands and increase the strength of the product penetration.

William Marshall: One more. Hugh, we've heard a lot so far as the conference has progressed about M&A, particularly in food, but across consumer packaged goods. I'm curious if we can get an update, your updated thoughts on PepsiCo's strategy around M&A. That could be acquisitions or divestitures. And if there's been any urgency or change in the thinking with the cost of financing and the interest rate environment and how we should think about that going forward.

Hugh Johnston: Really no change at all. I mean we've been pretty clear on that over the last couple of years. I'm not sure I have a lot new to say. We've always taken the point of view we don't think we need large-scale M&A. We think we've got the portfolio right, as I just presented. At the same time, we're, as a management team, as I also mentioned, acutely value-creation focused. Now, M&A prices are extremely high right now. That certainly makes for a difficult environment even with low-cost financing. So, no update, no change there at all.

William Marshall: Thank you. And then PepsiCo has done an impressive job on the productivity front; completing the $3 billion program, another $5 billion program. A lot of the emphasis today was kind of around R&D, innovation. How should we think about the ability and willingness to spend this back into the business versus flowing down to the bottom line? And if you could kind of unpack how you think about how this productivity will flow through going forward.

Hugh Johnston: Yes, I'm happy to do that. And then, Tom and Ramon, please jump in in terms of specifics in your areas of the world.

Flowing it through the bottom line is always a question that we wrestle with; should we deliver more now or should we strengthen the business for sustainability going forward? The approach we've taken is we've said we want to be balanced in doing that. And, obviously, from what you've seen, mid-single-digit revenue to high-single-digit EPS means we are flowing some of that productivity to the bottom line.

Margins are a complicated topic, right? It goes way beyond productivity. It goes to business unit mix. It goes to geographic mix. It goes to not just commodity inflation, but operating expense inflation. All of those factors weigh in. So, it's difficult to one-off a productivity number into a bottom line outcome other than the overall guidance that we've given and, in the last couple of years, we've beaten pretty consistently.

My expectation is we'll continue to do as we have been doing. We'll flow some of it to the bottom line. We'll continue to invest some of it in growth that has been mega-cap CPG industry-leading over the last couple years because we think over a seven- to eight-year timeframe that's going to create the most sustainable value for our investors. And that's the orientation we have is; how do we ensure we create sustainable value over seven- and eight-year timeframes, not quick-hit productivity programs.

William Marshall: Thank you.

Unidentified Audience Member: Thanks. Hugh, you referenced the commodities a little bit. Can you update us a little bit on sort of your outlook going forward with commodities? It would seem they would be pretty favorable for you for the next 12, 18 months if we look at current spot rates.

Hugh Johnston: Yes. We don't really provide guidance going into next year until we get closer to that point. And I'm not trying to be obstinate with that at all. The point is the world is such a volatile place; in all candor I'd worry if I gave it to you this far out. I'd probably, by the time we got to our normal guidance, I might not be right. Recall this time last year where the currencies were relative to where they sit right now. Commodities, to some degree, fall in the same camp.

Obviously, generally speaking, the commodities outlook is pretty favorable. So, from that perspective, other than being priced in dollars, which creates international commodity inflation for us, the commodities outlook is pretty good. But getting into specific numbers at this point is probably premature from a process perspective.

William Marshall: Okay. If there's no more questions, I think we'll cut it off there. Please join me in thanking Hugh, Tom, Ramon and Jamie. Also thank you very much for the snacks and beverages you provided throughout the conference. Thank you.

Hugh Johnston: You're welcome.