OVERVIEW:
Co. reported 2015 YoY organic revenue growth of 5% and core EPS of $4.57. Expects 2016 organic revenues to grow approx. 4% and core EPS to be approx. $4.66.
Good morning, and welcome to PepsiCo's fourth-quarter 2015 earnings conference call.

(Operator Instructions)

Today's call is being recorded and will be archived at www.pepsico.com. It is now my pleasure to introduce Mr. Jamie Caulfield, Senior Vice President of Investor Relations. Mr. Caulfield you may begin.

Thank you. Joining me on the call today are Indra Nooyi, PepsiCo's Chairman and CEO, and Hugh Johnston, PepsiCo's Vice Chairman and CFO. We'll lead off with prepared comments and then we'll turn to Q&A. And recognizing it's a busy earnings day we'll end the call at about 8:45.

As we begin the call it's important to note the following. We will make forward-looking statements on this call. Any forward-looking statement inherently involves risks and uncertainties that could cause actual results to differ materially from the current predictions and expectations. Information on such risks can be found in today's Earnings Release and our most recent Form 10-K and subsequent SEC filings.

In addition, we will discuss results using non-GAAP measures. You can find GAAP to non-GAAP reconciliations on our website in the investor section under the events and presentations tab. As we discuss today's results keep in mind that our fourth-quarter comprises the 16 weeks ended December 26 for our North American operations, and the months of September through December for most of our operations outside of North America.

And now it's my pleasure to introduce Indra Nooyi.

Thank you, Jamie. And good morning, everyone. If I sound funny this morning it's because I'm nursing a very bad cold.
I’m pleased to announce that PepsiCo delivered for shareholders a terrific year in 2015 with strong organic revenue growth and 10% core constant currency EPS growth. We simultaneously enhance our competitiveness and prospects for future growth, while meeting or exceeding each of the 2015 financial goals that we shared with you this time last year.

From a strategic perspective, we held or gained market share across most of our key markets. We built the strength of our brands, evidenced by both our strong organic top-line growth and 40 basis point increase in A&M as a percent of sales. We continue to extend our innovation advantage, growing new platforms such as Mountain Dew Kickstart, Stacy’s pita snacks, and Inner Smile dairy drinks in China, and simultaneously invested for the future by increasing our R&D spending.

We continue to win in food service by adding Disney in China, Subway across several countries, and renewing Yum! in China, due primarily to our broad product portfolio and superior customer service. And we enhanced our offerings to our food service partners in 2015 through the establishment of exciting new platforms like Stubborn Soda, Mountain Dew Black Label and Hello Goodness Vending.

We added major new marketing properties with the NBA and the UEFA Champions League. And we expect to derive value from them through our rapidly expanding global marketing and design capabilities. And we delivered a record-setting year for productivity, as our outstanding operating teams leveraged our global supply chain center of excellence to execute best practices and new ideas with great precision across all of businesses.

While delivering strong strategic results we delivered financially. We targeted mid-single-digit organic revenue growth and delivered 5% growth. We targeted core operating margin expansion and delivered a 30 basis points improvement.

We delivered 10% core constant currency EPS growth against our initial target of 7%, and converted 120% of core net income to free cash flow excluding certain items through strong capital management. This strong cash generation enabled us to provide attractive cash returns to our shareholders, a total of $9 billion in 2015. And our core net return on invested capital stands at 19.6% at the end of 2015, up 430 basis points over the past three years.

I’m particularly pleased to note that we achieved these results in the face of a challenging macro external environment. Over my several decades in business I have never seen this combination of sustained headwinds across most economies, combined with high volatility across global financial markets. From our meetings and observations traveling around the world, I’ve noted slow economic growth or recession across all but the US and a few other countries as a combination of geopolitics and oil have created many challenging economic outcomes.

The slower economic growth has resulted in lower demand for commodities, which has put extreme pressure on previously booming economies like Russia, Canada and Brazil, just to name a few. In order to address slowing demand, central banks have few tools to kick start their economy as these tools have largely been fully exploited over the past several years. In addition, increased government regulation, including increased taxation, labeling requirements, and limitations on social programs are placing further pressure on consumer demand.

These macro issues have created three broad risks for the consumer and for CPG companies. First, the widespread economic malaise has created a strong US dollar, which has the effect of creating local inflation in international markets and threatens to derail the US economic recovery. Second, volatile financial markets may cause a pullback in corporate investment and consumer spending. And, finally, the continued weak economic performance is causing widespread political and social turmoil across the globe, which may create even greater economic harm.

In the face of these challenges, our geographic sectors managed very well during 2015, exploiting the more positive environments for superior results, while carefully navigating weak environments to balance tight cost management with judicious investment to surgically capture growth. In a relatively positive macro environment, our performance in North America was particularly strong with both Frito-Lay North America and North American beverages turning in very good operating and financial performances. Each posted 3% organic revenue growth and 7% core constant currency operating profit growth for the year.

Frito-Lay North America once again delivered consistent results, while continuing to transform its package architecture in potato chips and its go-to-market system through further expansion of the GES program. North American beverages had its best financial performance in recent memory, benefiting from the continuation of improved industry pricing dynamics, a broad product portfolio and continued positive innovation performance. Quaker Foods North America began a turnaround in 2015, delivering positive organic revenue results for the first time in several years, and gaining value share across the breakfast categories of hot and ready-to-eat cereal and Aunt Jemima syrup and mix.

I’m pleased to report that PepsiCo once again was the single largest contributor to US retail food and beverage growth for our customers. For the full year, we provided more growth in US retail sales than the next 15 largest food and beverage manufacturers combined. And it’s this success that uniquely positions us as our customers’ go-to partner to drive growth.
When we look beyond North America our international divisions clearly dealt with the lion's share of the macro challenges that I mentioned earlier. And yet, despite these challenges, we were able to grow organic revenue 8% and core constant currency operating profit 6% for the year by executing effective pricing strategies, launching exciting innovative products, localizing sourcing to address FX transaction headwinds, and driving productivity that provided investment funding that will propel future growth. So, overall a very good performance for the year and we believe we are well positioned as we enter 2016.

Now, you may recall that we focused on one of our big performance driving initiatives on each of the last three earnings calls. On our prior calls we covered innovation supported by sensible brand management, then we talked about flawless execution, and last time we talked about self-sustaining productivity. Today I want to focus on the fourth of these initiatives, cash generation and prudent capital allocation.

A substantial portion of our earnings converts to free cash flow and we generate a lot of cash. In fact, over the past three years we converted more than 100% of our core earnings to free cash flow, and we generated more than $24 billion in free cash flow excluding certain items, including $8 billion generated in 2015 alone. More broadly, we are highly disciplined in how we allocate this cash, with a particular focus on returning cash to shareholders.

Our first capital allocation priority is to invest in the business, not only in the form of CapEx and working capital, but also within the P&L in A&M, R&D, and marketplace investment in routes and racks. In fact, since 2011 we've increased A&M as a percent of sales by 110 basis points, and R&D spending is up 40%.

We have rigorous capital planning and review processes. Our CapEx investments have very attractive returns on investment. And we continually find ways to drive returns even higher by driving greater fixed asset utilization and by reducing the cost of adding capacity.

Over the past four years we have reduced CapEx as percentage of sales to 4.4% on a rolling four-quarter basis, which is an improvement of 60 basis points. On a revenue base of $63 billion, this equates to an annual cash savings of approximately $380 million.

Similarly, our efforts to improve our working capital have yielded positive results. Over the past three years, we have improved our working capital conversion cycle by more than 30 days, which contributed $2.5 billion to cash flow improvement. So both our CapEx and working capital productivity have been significant contributors to our very favorable free cash flow performance.

Our second priority is to pay dividends to our shareholders. We've raised our dividend for 44 consecutive years, effective with the June 2016 payment, and this is through both consistent earnings growth and by raising our payout ratio over time. With this morning's announced dividend increase, we expect to pay out approximately 60% of our core 2015 earnings, and our dividend yield at yesterday's closing stock price is an attractive 3%, and our 10-year compound annual growth in dividend per share is 10%. Continuity of dividends and growth in annual dividend per share are a point of great pride for PepsiCo, and we view them as a vitally important element to the total shareholder return equation.

Our third priority is to strengthen our market positions and create value through responsible tuck-in acquisitions, generally less than $500 million a year in total which equates to a relatively small percentage of annual free cash flow. We've built a lot of capability in evaluating and integrating tuck-in acquisitions and we have very disciplined strategic and financial guidelines to ensure that they're value creating. Our acquisition evaluation is comprehensive and includes assessment of geographic considerations, category growth and attractiveness, scalability, competitive dynamics, people and business systems, integration, cultural fit and transaction complexity.

And our fourth capital allocation priority is to return residual cash to our shareholders through share repurchases and we plan to do so within the confines of maintaining a capital structure that provides us ready access to the debt capital markets at attractive rates. Over the past 3 and 10 years, we've returned more than $13 billion and $35 billion, respectively, to shareholders in the form of share repurchases.

Next, our focus on capital allocation discipline has yielded impressive results. We returned more than $65 billion to shareholders over the past 10 years in combined dividends and share repurchases.

Before Hugh covers guidance in detail I'll just make a few broader points about the landscape going forward. We expect a continuation of the many macro challenges we face this year -- the strong US dollar, sluggish growth or recession in most developing and emerging markets, political and social unrest in a number of regions, and increased government regulation. As I mentioned, while the US economy is experiencing a recovery, it's delicate, and there is a risk that it will not sustain itself if the rest of the globe continues to experience such massive pressures.

But even in the face of this rather challenging global landscape, I'm optimistic about PepsiCo's future. We have made a prudent appraisal of those factors outside of our control and we're controlling those factors we can control.

Our teams around the globe are executing well. Our innovation pipeline is full and promising. And the sustained investments we've made in strengthening marketing and developing cutting-edge capabilities will serve us well as we move through the year.
We believe we have the plans in place for 2016 to continue to deliver strong financial results. And we have something that's equally important as the right plans. We have the right people. The fact that we've achieved so much in what has been a protracted and extremely challenging and volatile environment is a testament to the strength and experience of our management team.

We benefit greatly from the senior management team distinguished by continuity, experience and skill. Our sector heads and CFO, Al, Tom, Laxman, Ramon, Sanjeev and Hugh have 140 years of combined PepsiCo experience across multiple categories, markets and functions.

At the same time, we're developing and advancing PepsiCo's next generation of leadership. The appointments over just the past 24 months of Laxman and Ramon to their respective sector leadership roles, and the appointments of Brian Newman to run global operations and Eugene Willemsen to run our global category groups, are a few key examples of such next-generation leaders who have gained tremendous experience already and have much runway ahead of them at PepsiCo.

With these comments, let me turn the call over to Hugh. Hugh?

Hugh Johnston - PepsiCo, Inc. - Vice Chairman and CFO

Great. And good morning, everyone. Moving on to our outlook for 2016, as we set out in the release we expect organic revenue growth of approximately 4%, with the top line continuing to benefit from the investments we've made in our brands and innovation, as well as our revenue management capabilities, driving organic revenue growth and positive net price realization. And taking our core 2015 EPS of $4.57 and applying our guidance and current foreign exchange market consensus rates implies 2016 core EPS of approximately $4.66.

Let me touch on the key considerations and assumptions embedded in our outlook. First, we will have a 53rd week in 2016, as we do every five or six years, which principally impacts our North American businesses given that our international businesses report on a monthly calendar. Our organic revenue growth outlook excludes the impact of this extra week. And our intention is to reinvest the benefit from the extra week in growth and productivity initiatives.

Second, we will be lapping the deconsolidation of our Venezuela business which occurred at the end of Q3 in 2015. Venezuela contributed approximately $0.10 per share to core earnings in the first three quarters of 2015.

And, third, foreign exchange translation will continue to be a headwind with most of our key international markets' currencies expected to decline versus the US dollar in 2016. Based on current foreign exchange market consensus rates, this is expected to be a 4 point drag on both net revenue and core EPS.

Additionally, to the positive, we expect to generate approximately $1 billion of productivity savings in 2016, which is in line with our overall objective of achieving $5 billion of productivity over the five years through 2019. We anticipate continued reduction in corporate expenses and we expect our share count to benefit from a targeted $3 billion in share repurchases.

In terms of headwinds, we anticipate continued volatile macros, especially in the developing and emerging markets, and commodity inflation is deflationary in the low single digits excluding foreign exchange and low single-digit inflationary including the impact of transaction-related foreign exchange in many of the markets whose currencies have and are expected to continue to weaken against the US dollar. Also keep in mind that because of our forward buying approach, our commodity costs tend to lag what you see in the spot markets.

As you model out the quarters, we ask you to consider the following. We deconsolidated our Venezuela operations at the end of Q3 in 2015 so our EPS comparisons will be impacted by lapping the elimination of earnings from Venezuela during the first three quarters of 2016. The AMENA division will face a difficult operating profit comparison during Q1 2016 as the business lapse a gain related to refranchising a portion of India bottling operations, and the benefit of the 53rd week will fall in the fourth quarter of the year while our reinvestment of the benefit of the 53rd week will be made throughout the year.

We will maintain a high level of discipline toward capital allocation, with the vast majority of free cash flow after capital spending being returned to shareholders in the form of dividends and buybacks. We expect to return $4 billion in cash to shareholders through dividends and we expect to return an additional $3 billion in cash to shareholders through share repurchases.

So, combined, we expect these actions will result in cash returns to shareholders of $7 billion in 2016. Capital allocation is a top priority for our management and our Board, and we trust these actions will again be seen by shareholders as tangible evidence of this commitment.

With that, we are ready to take the first question.
Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

Thanks, Hugh.

Q U E S T I O N  A N D  A N S W E R

Operator

(Operator Instructions)

Our first question comes from the line of Dara Mohsenian of Morgan Stanley.

Dara Mohsenian - Morgan Stanley - Analyst

Hey, good morning. First, can you give us your organic sales growth in emerging markets in Q4? And as we look out to 2016, Indra, it sounded like you were very cautious on the macro environment, so any impact in terms of macros on your business in emerging markets in Q4, if you could provide some more detail there. And, also, so far what you're seeing in Q1 given we're well into the quarter. And any thoughts just in general on the level of risk and your visibility on the 4% organic sales growth guidance. And then also on the macro side, can you just review trends in gas convenience in the US in both snacks and beverages and your thoughts on consumer spending in 2016?

Hugh Johnston - PepsiCo, Inc. - Vice Chairman and CFO

Dara, this is Hugh. To answer your question on developing and emerging markets, the growth rate would have been about 6% for the quarter.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

Dara, let me talk about the world and what we're seeing around the world. And it's not just emerging markets. As we travel around the world -- let me just take a quick walk around the world. As we look at Latin America, Brazil, Argentina, if you look at Colombia, between a combination of the economic issues in the country and the currency devaluation, it's causing tremendous strain on anybody who's operating in that country, leave alone American companies who have to report in US dollars because you have both a transaction and a translation problem to deal with. Transaction because a lot of the commodities we buy are denominated in dollars. So, we have to figure out how to price that through.

If you go over to Europe, the Western European market, I would say, did show some signs of recovery but not to the level that we would like to see it. Interestingly, our businesses in East Europe are doing well with respect to the local market but, again, the currency is really taking a bite out of the profit streams that come out of that market.

I was in the Middle East about three weeks ago. The teams there are very resilient but they have to cope every day with the issues in the Middle East, whether it's countries going through attacks or the refugee crisis. It is pretty severe what's going on there. Many routes have to get off the market at times.

Our teams are all local so they figure out a way to operate, but it is tough. I think we're one of the few companies that keep an operation going because our routes can come on quickly when there's a lull in the activity there. So, I would say it's difficult to watch that region going through the problems it's going through.

And as you move further east, India's holding up. The Pacific Rim is holding up nicely -- don't see too many issues. And China going into the Chinese New Year, last year I think the market was very sluggish but this year it started off moderately okay.

And if you ask me about how the year has started off, look, one period or one month a year does not make. But the year has started off okay. And, again, I want to be very clear. What we can control we are doing very well -- execution, productivity, innovation and our on the shelf. We're doing a very good job and that's giving us some tail winds.
What we cannot control, which is the geopolitical issues, this incredible currency turmoil, we just have to accept it for the moment. So, I'd say the teams are executing very well in the marketplace and that's why we feel cautiously optimistic on the one hand, while feeling despondent about the macros on the other hand.

As far as the convenience store is concerned, in the past we used to say when gas prices came down there used to be a perceptible increase in convenience store traffic. Yes, we did see an increase in convenience store traffic and convenience stores were up -- what? 6% Hugh?

Hugh Johnston - PepsiCo, Inc. - Vice Chairman and CFO

About 6%, yes.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

About 6%. But I think that game has played out. Now it's going to be how much innovation you put on the shelves and how you execute. And this is where, again, our DSD systems, our power of one, and the fact that we have the right products for the convenience stores is going to stand us in great stead.

Operator

Your next question comes from the line of Ali Dibadj of Bernstein.

Ali Dibadj - Bernstein - Analyst

How are you? Hopefully you'll feel better soon. I wanted to get a better sense of your 2015 to 2016 EPS bridge. If you're still actually getting this $1 billion of cost savings, you're buying back this $3 billion similar level of stock purchase, that together would be 11% or 12% EPS growth. And ex Venezuela, ex currencies, you're only saying you're going to get something like 8%. And I'm having trouble figuring out what that gap is. It makes me feel that all else equal -- so if you're not cutting costs, you're not doing anything -- the core business is actually shrinking, which clearly can't be with a 4% top-line growth number organically for next year. So, I'm just trying to figure out the bridge, if you can, more quantitatively between 2015 and 2016 than what you've already offered, particularly on the core piece, please.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

Absolutely, Ali. Let me toss this to Hugh who will give you a complete answer on this.

Hugh Johnston - PepsiCo, Inc. - Vice Chairman and CFO

Sure, happy to. Good morning, Ali. If you add up the numbers, you're right, revenue growth, as we've said, is to be about 4%. Productivity will be about $1 billion benefit. Commodities, of course, are inflationary, low single digits.

The other factors built into our numbers are, number one, we will see operating expense inflation. Recall, our bucket of OpEx is about $28 billion. A little over half of that is labor and labor will inflate somewhere around 4% for the year.

In addition to that, you'll see continued investments in advertising and marketing, as you have over the last couple of years. And the reason we continue to invest in that is we continue to get good returns on it; hence, the 4% to 5% revenue growth you've seen over the last couple of years.

You will see higher investment in research and development, as well. Same answer on that. We're continuing to see good returns on that. And then, of course, with the revenue growth that we've seen over the last couple of years, we do need to invest in manufacturing lines, we need to invest in routes, we need to invest in racks to place the products on. When you add all of those factors up, and then add into that geographic mix, which is a slight drag, you wind up with a total of 8% on earnings per share growth.

Operator
Your next question comes from the line of John Faucher of JPMorgan.

John Faucher - JPMorgan - Analyst

Good morning, Indra. I want to talk a little bit about the longer-term outlook for the pricing environment. It makes sense, given all the inflationary pressures that we're seeing in terms of pricing in emerging markets. The question really becomes can you sustain pricing in developed markets, particularly given -- I know your raw materials are up slightly but there are some deflationary raw materials. And there seems to be some concern about downward pressure on pricing maybe in the US. As we look at the 2015 results, low single-digit volume, a little bit more pricing, do you see that changing over time? And can you continue to get the pricing in developed markets that would allow you to sustain that, let's say, 3% to 4% pricing number going forward? Thanks.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

John, that's a great question because we talk about that and worry about that all the time. I think there are two or three things to think about. One is, in categories which are not growing robustly, like carbonated soft drinks, there you should manage pricing very carefully because there's no point trying to drop the pricing because it's not going to drive additional demand. So, in that particular category, through a combination of revenue management, through a combination of intelligent price pack architecture, you just figure out how to get some pricing from the marketplace. So, let's hold that on the side.

Second, the area where we really look for pricing is through innovation, because if there's one place where the consumer likes the news and is willing to pay up for it's for innovation. And we've been really ramping up our innovation machine to be able to get price realization through innovation.

The third is through channel mix. If you sell more single serve, if you sell through channels where the consumer's willing to pay a little bit more, that clearly is a help. And lastly, even if you don't get the pricing in some places, we've got to take our costs down.

So we've been looking at how to reengineer our supply chain end to end, how to work with customers to rethink our supply chain. There's a lot of work going on in our Company in terms of re-thinking our end-to-end costs to align our supply chains with customers so we can mutually take out costs and then figure out a way to pass some of it to the consumer. That's really our strategy on pricing.

Operator

Your next question comes from the line of Steve Powers of UBS Investment.

Steve Powers - UBS - Analyst

Hi. Thanks. Good morning. On the marketing step-up, which you obviously increased a lot this year and in the fourth quarter especially, can you talk a little bit more about where that investment is focused? Is it broad-based? Is it more food versus beverages? Domestic versus international? Any skew would be helpful.

And then, more broadly, I'm just wondering if there's anything you're seeing out there that gives you more confidence on the margins in that spending. Because I'm stuck now by how many CPG companies have emphasized a return to A&P investment in the last few weeks. It's just interesting against the macro backdrop, as you pointed out, is not getting easier. So, the increase that you're making, is it PepsiCo specific against proactive opportunities? Is it against things that may be deceptively encouraging for the broader industry? Or is any of your increase simply driven by a need to keep pace and maintain share of voice versus peers that are also stepping up their investments? Any clarity there would be helpful.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

Hugh, why don't you talk through where we're putting the money and then I'll talk about the rest.

Hugh Johnston - PepsiCo, Inc. - Vice Chairman and CFO
Sure, happy to. A couple comments on that, Steve. Number one, it is broad-based. I wouldn’t say it's targeted to any particular business or any particular geography. As we cut across snacks and beverages numbers went up in both categories. As we cut across the geographies, all of our geographies saw an increase in advertising and marketing spend.

Number two, in terms of where is the money going, I would say that more of it is going to digital over time. The big constraint on moving more to digital is identifying high-quality properties to advertise on. So it's not just a matter of going for pop-up ads anymore. It's really more sophisticated digital advertising. And that is probably more than anything the rate limiting factor, is finding high-quality assets to invest in.

Third, as you’ve seen as recently as the Super Bowl this past weekend, we are investing in big properties because these big properties do enable breakthrough types of messaging. And I think we, over the last several years, as well as for a longer period of time, have been quite successful in investing in those big properties.

And then, fourth, from a returns perspective, obviously measuring advertising in a marketing return is a little bit trickier than measuring return on price reductions and things like that. That said, with the advent of big data, we actually are getting more sophisticated in terms of our ability to measure those returns. Without getting into all of the details of it, the things I'd point to on a macro level are we’ve been able to sustain 4% to 5% revenue growth in what’s been a challenging environment.

So, when you add all of it up, we'll continue to invest more in advertising and marketing as we see good payback on it. As a management team we are acutely focused on shareholder value creation as the meta metric for all that we do around here. And advertising and marketing is giving us good payback for the shareholders.

Operator

Your next question comes from the line of Bill Schmitz of Deutsche Bank.

Bill Schmitz - Deutsche Bank - Analyst

Hi, good morning. Could we just go back to North America a second and just talk about the impact on Frito and the pack down changes and the go-to-market changes. Can you just quantify what you guys think that did to sales over the last year and when it gets lapped? And then maybe the sustainability of growth at Gatorade, which has been phenomenal, and a lot of it's been driven by category growth. Is that broadly like the fitness, health and wellness trend in the US or do you think it's driven by something more dynamic?

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

I'll talk about Gatorade and then you can get your thoughts, Hugh, on what detail you can provide on Frito. I think Gatorade benefited in 2015 from three factors. One is it was a hot year, and it was hotter for a longer period of time. Gatorade does well when the temperature is above normal, especially for as long as it was during the year. So we shouldn't underestimate the impact of that.

Second is the Gatorade innovation has been very good. Fierce and Frost alone contributed significantly to sales growth. And all the new stuff that Gatorade is doing with the smart bottle, with the pods that are tailored for the athlete, the Gatorade Prime and Recover, all of that is giving more legitimacy to the brand, and I think that is driving more of the Gatorade sales.

Third, I think on a competitive basis, relatively speaking, the fact that so many athletes are choosing Gatorade now is allowing Gatorade to far out-distance any emerging competitors in the space who try to attack Gatorade just on price. Gatorade has managed to hold its own, in fact extend its advantage.

So, combination of these three have served us well. Going into 2016, I think we'll keep the pedal to the metal on innovation, on execution, and hope that the weather holds up. That's the best we can do. So Frito?

Hugh Johnston - PepsiCo, Inc. - Vice Chairman and CFO

From a Frito perspective, Bill, I assume your question is around the potato chip promotional package moving from the XXL to the XL bag. That probably cost us, from a volume perspective, about 1 point. Recall that the reason for the strategy is, as we talked during last year, was to increase household penetration with smaller household sizes. The objective was to get a package that smaller households would find attractive as the primary promotional package. In that regard, the strategy has actually been quite successful and I think gotten our volume rebased in a good spot from the standpoint of how we're managing the Lay's business.
More broadly in terms of Frito-Lay performance, you saw 1%, 3%, 7% last year in terms of volume revenue and profit. If you look at Frito's performance over the last four or five years, it's been remarkably consistent. Volume's been around 2%, revenue's been around 4%, and profit's been around 6%, plus or minus 1 point, for quite a few years. I think you can continue, even as we invest and make changes in Frito, you can expect to see that type of performance going forward.

Operator

Your next question comes from the line of Judy Hong of Goldman Sachs.

Judy Hong - Goldman Sachs - Analyst

Good morning, everyone, how are you? I just wanted to go back to Frito-Lay and maybe just get your color on the broader snacking environment in the US. The confectionery category has been a little bit soft. Salty snacks is more stable but just in terms of the context of the US consumers perhaps being a bit better off, it seems like maybe the category could do a little bit better. So, any color just in terms of where the consumers are going across the broader macro snacking category would be helpful.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

I think the reason -- let me step back. The overall macro snacking category is probably growing somewhere in the 3% to 4%. And the reason Frito does as well as it does is because it takes occasions from all other macro snacking categories. Frito's able to go after crackers, able to go after sweet occasions through interesting products that comes from a salty heritage.

We have a frying platform, we have a baking platform, different sort of baking platforms. And we leverage those platforms to go after all of those occasions. I think that's what creates an advantaged model within Frito-Lay. We are not in a zero sum game within macro snacks where any growth that we get has to come at the expense of another category already participating.

In the case of Frito, we are in one category and reach out of the core -- remember the old strategy of grow the core and add more? That's really what we're doing. We're looking at the demand of consumers and wondering how we can serve that demand with a Frito-Lay option.

And whether it's Cheetos, Fritos or it's the chocolate-covered Lay's that we offered or all the new products on slate for next year, I think we're just going after other macro snacking occasions. And that's why other companies are hurting and Frito-Lay is doing so well. And you combine that with our DSD system, our power of one advantage, we can really get tremendous advantage with customers.

Operator

Your next question comes from the line of Mark Swartzberg with Stifel Nicolaus.

Mark Swartzberg - Stifel Nicolaus - Analyst

Thanks. Good morning, Indra, good morning, Hugh. Two questions on Latin America, if I could. One is, any detail you can give us on these, quote, strategic investments in the quarter, to what extent they're brand and forward facing and to what extent they were otherwise. And then, secondly, it's early days since you've integrated snacks and beverage in Latin America, but could you give us an update on how that's going, and whether 2016 is a year where we should expect benefits from that to be more significant -- just how that's going and what your outlook from that is.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

Investments in Latin America.

Hugh Johnston - PepsiCo, Inc. - Vice Chairman and CFO
Yes, sure, happy to start with that. Good morning, Mark. When you look at Latin America, you really have to take a step back. It’s such broad and diverse geography, both in terms of cultures and in terms of economic outlook for the near term. Obviously Brazil has got a significant number of challenges facing into 2016, as it has over the last couple of years. At the other end of the spectrum, Mexico is, as an economy, performing quite well.

If you think about what we're trying to accomplish, as you move south into Latin America a lot of our focus has been around making our supply chain more efficient and making our management structures more efficient. And a number of the investments that we made in the fourth quarter there were geared towards productivity-driving initiatives. On the other hand, in Mexico where the outlook is more positive, the investments we made during the course of 2015 were more growth oriented.

And as we think about our outlook going forward, we expect that mix of probably stronger performance out of Mexico, more margin-improving performance out of the balance of Latin America. That said, we're long term very positive on the geography. We think we've got great market positions and great people down there. And we think it's one of the most important regions of the world for us going forward.

Indra Nooyi - PepsiCo, Inc. - Chairman and CEO

In terms of integrating snacks and beverages under one leader, look, if we didn't have economies in Latin America that are performing so poorly at this point, we'd start to see results sooner. But right now it's very hard to really point to when we will see results based on the fact that any progress we make is eaten up by macroeconomic challenges.

We look at underlying in-process metrics, if you want to call it that, as opposed to tail pipe metrics. And everything we're seeing says that we're making great progress in figuring out how to leverage a franchise bottler system with our snacks business to create advantage. And it's going well so far.

So, with that, let me just thank you all for your questions. In closing let me reiterate that we are pleased with our 2015 results. Looking ahead to 2016, we are confident that we have the right plans in place, we're executing well against those plans, and we've set appropriately aggressive targets for 2016.

We look forward to updating you on our progress as the year advances. Thank you for your time and questions this morning and, more importantly, for the confidence you've placed in us with your investment. Have a great day.

Operator

Thank you for participating in PepsiCo's fourth-quarter 2015 earnings conference call. You may now disconnect.