

Keurig Dr Pepper at 2024 Barclays Global Consumer Staples Conference
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Lauren Lieberman: OK. So we can find our seats, we're going to get started. So we have Keurig Dr Pepper with us next, and we have the company's CEO, Tim Cofer. It's nice to meet you for the first time in person. And the company's CFO and President of International, Sudhanshu Priyadarshi. So, great. Thank you so much for being here again this year. Plenty to do, so we're going to sort of jump right in.

Tim Cofer: Let's do it.

Lauren Lieberman: OK, let's do it. So, throughout the summer, the market became more concerned about the possibility of a hard landing, from a macroeconomic standpoint. Second quarter earnings season definitely felt like it featured more regular mentions of a more challenged consumer, and that's what we've been listening for, a day and a quarter in, if you will here.

So just curious to start with what you're seeing across your categories, and what do your second half plans assume in terms of the consumer backdrop, particularly in the US, but if you want to weigh in on International, too?

Tim Cofer: Sure. First of all, it's great to be back at Barclays Global Consumer Staples conference, so thanks for the invite. I do think it's fair to say we're seeing a bifurcated consumer environment. And obviously we've spent a lot of time, as any great CPG company would do, in analyzing the consumer. And what you see is, you know, a little bit of a tale of two cities. You're seeing a low and mid-income consumer that's feeling stretched, that's seeking value. And you see that manifest in how they shop, when they shop, where they shop, things like preference and some growth trends in certain channels – think club, think dollar, etc. A little less on C-store and instant consumption, favoring retailers that are really promoting value. You're seeing also when – you know, maybe waiting a little bit more to stock up on a multi-pack deal around a holiday ad, for example.

On the other side, you're seeing a premium consumer, kind of that top tertile, that remains very resilient and is interested in seeking out premium experiences and premium brands.

And so for us, I think, as we put together this plan, we largely anticipated this environment. I think, to your point, it's fair to say it's been accentuated a little bit in the second quarter and of late, but I think we have the right plans in place, starting with, we've got a strong innovation slate, brand activation slate. You're seeing that in things like Dr Pepper Creamy Coconut this year. You're seeing it in Canada Dry Fruit Splash, an all-new Refreshers line in our Coffee business. So we feel good about our innovation and activation slate.

Value is something that we are definitely working against, everything from re-looking at our price pack architecture and making adjustments. Coffee would be a great example of that. Opening price point brewers, emphasizing the amazing value still on our CSD business, which offers great value in liquid refreshment beverage.

And then finally on the premium side, we're driving some great successes in premium, whether that's our higher dollar per ounce liquid refreshment beverages like energy and sports hydration, or whether that's things like super premium brands in Coffee – think Lavazza, La Colombe.

So overall, we feel good about the strategies and tactics we're pursuing. You've seen our front half in 2024 accelerate over the Q4 momentum that we exited last year. And I anticipate a further acceleration in the top line in the back half of this year relative to the front half, based on things largely within our control – those partnerships and that innovation slate as well. And that all, I think, builds the confidence that Sudhanshu and I have to continue to deliver on that MSD top line commitment and high single digit EPS commitment on the year.

Lauren Lieberman: Great. And Tim, as CEO, you've emphasized the importance of putting the consumer at the center of decision making for the company. Can you just elaborate a bit on what that means in practice? How it should manifest in financial results, and where is the greatest opportunity to sharpen the focus, and does that mean stepped up reinvestments?

Tim Cofer: Yes. And as you know, you joined us, we had an Investor Day in March and a chance to really recalibrate the next chapter of value creation at Keurig Dr Pepper after an amazing first five to six years since merger. And as part of that strategy, we outlined kind of five key pillars. The first, as you said, is all around championing consumer obsessed brand building. I've had the fortune of spending over three decades in CPG, and you see time and time again that success is underpinned by that strong consumer orientation. And that's what we do here at Keurig Dr Pepper, and if anything, kind of re-emphasizing that in today's challenged macroenvironment.

And I think it starts with really putting the consumer at the center, and for me, one of the preeminent consumer frameworks that I've used a few times in my career that we deploy here at KDP is a simple but powerful framework called demand space. It's really mapping consumer behavior, consumption behavior from dawn to dusk, whether you're at home or away from home, whether you're alone or with others. And those intersections create these demand spaces that generate rich insights, consumer driven, around answering the questions who, what, when, where, why, how.

And based on that, a lot of great things happen. You can position your portfolio for the most incrementality. That suite of brands – we have 125 owned, licensed and partner brands. So how do you maximize the incrementality? Really sharpen the messaging and the positioning and the advertising around our brands. It opens up innovation opportunities, based on that consumer understanding.

And again here, I think the proof's in the pudding. Look at what we put up this year – great new marketing campaigns around Dr Pepper brand, the innovation I mentioned earlier, Canada Dry Fruit Splash, Creamy Coconut, etc., Coffee Refreshers.

In addition, I think that consumer orientation helps in areas like M&A, in terms of understanding where the white space is, how does our current organic portfolio address that, and where are opportunities to build out that portfolio.

The other thing that's often, I think, underappreciated in terms of consumer orientation, we generally think of it as a growth lever, and indeed it is. But it also can help with the cost agenda. And Sudhanshu and I are pursuing a fuel for growth agenda, and it can also unlock opportunities around productivity. Think design to value. What does the consumer truly value in this brand, in this liquid? Double down in those areas and cut costs where it really doesn't matter.

So I think that consumer orientation is our North Star, one we feel very good about, and one that you'll see continue to manifest in both the top line and the bottom line.

Lauren Lieberman:

OK. I want to keep going on productivity, on that point. I know you talked about design to value, but it – you can argue that in today's environment, productivity is even more important to the industry to protect margins and keep funding reinvestment. There's going to be presumably a lot less availability of pricing than we've seen in the last few years.

So, you've highlighted productivity is a core component of this evolved strategic framework. I was curious if you could talk a bit about how your approach to generating fuel for growth is changing. Again, I know you just mentioned the design for value, but there's more to this, and where you see the most meaningful opportunities across the business.

Sudhanshu Priyadarshi:

So, Lauren, productivity is a focus area for us, but we see productivity is one component. We look at overall cost efficiency is a bigger picture. Productivity is one component of it.

If you look at since we became a public company six years ago, we have seen three chapters. Our first chapter was when we brought these two businesses together and generated close to \$6 million of synergy. The second chapter was pandemic, where we prioritized customer service over productivity and cost efficiency. But during that time, we also seeded three state-of-the-art manufacturing plant investments.

And then the third chapter is now, where pandemic has ended and where we're seeing more productivity and more cost [inaudible] agenda. And that's what we have been driving. You have seen we are also having more flexibility in that optimization because

of the investment we made three, four years ago about state-of-the-art manufacturing. You've seen us shut down two legacy coffee plants as [inaudible] ramping up. So that will continue to give us benefit in going forward.

And our entirety of gross productivity, 3% to 4% for a year. As I have said before, we look at overall cost structure. And the other thing we focus on is SG&A. We laid out target that SG&A and overhead will grow at or below the rate of sales. And there are three components of that, that will drive this cost [inaudible] agenda in SG&A, one is [inaudible] centric model. We focus on [inaudible]. Second is lean corporate center, you know, we have [inaudible] cost strategy and make sure that the corporate costs remain less, and it's the lean corporate center. And the third is indirect cost management.

So we feel that all productivity, the flexibility network optimization as the manufacturing – state-of-the-art manufacturing is ramping up, and this SG&A agenda will give us a fuel for growth that we can continue to reinvest in the brand, and expand margins going forward.

Lauren Lieberman: Great. Let's talk maybe about the segments, so switch to revenue growth a bit. So in the US Refreshment Beverage business, Dr Pepper has had standout momentum now and share gains for a number of years, and the press recently highlighted the brand reaching the number two position among full flavor CSDs. So what are the opportunities to meaningfully grow the brand from here? How do you keep this going?

Tim Cofer: Yes, I think our US Refreshment Beverage business has had a great track record of growth over the last few years since merger, really growing at the high end of that overall guidance of mid-single digits, consistently in the mid to high single digits. And it does start with our icon in Dr Pepper, no doubt. I mean, talking about Dr Pepper, you step back, it's a \$5 billion retail brand. And it's a brand that now is the number two, as you mentioned – number one flavored CSD by volume. You know, it's a business that we think this year will experience its eighth consecutive year of market share growth, as you said.

And it's a brand that our fans absolutely love. In fact, Ad Age just recently – I think it was last month – named Dr Pepper one of the hottest brands of 2024. And yet, next year, we'll hit our 140th year since the founding of Dr Pepper. So this is – you know, the oldest major soda in the US, and yet a brand very much young at heart and one that's very dynamic.

Our teams do a great job with Dr Pepper. You think about the marketing of the brand – we launched a new campaign this year that's a lot of fun around It's a Pepper Thing. Back to the demand spaces, connecting with friends. It's a great campaign. Any college football fans out there know that we're huge into college football. We just launched last week our seventh season of Fansville. And that continues to surprise and delight college football fans.

The track record innovation, I think, is impressive on Dr Pepper. Last year, Strawberries & Cream was a \$300 million success at retail, number one CSD new innovation in the entire country. And then this year we followed it up with Creamy Coconut. Creamy Coconut is our most successful LTO, limited time offering. Get it while you can, because

at the end of summer, we're going to shut that down. But that has been an amazing success, really capitalizing – again, back to your question on consumer orientation on the whole dirty soda trend, with that Creamy Coconut flavor.

So the track record is there, and yet, to your point, Lauren, I'm really bullish on the continued growth potential of Dr Pepper. I point to three things. Number one is, we still have distribution opportunities to grow this brand. Certain sizes, flavors, and certain geographies, believe it or not, we have the right, given the velocity and the track record, to be further distributed.

Number two for me is Zero. If you haven't tried Dr Pepper Zero, it's across the hall here at the Barclays conference. This is an amazing beverage, highly incremental to base Pepper and Diet Dr Pepper, and attracting more young and multi-cultural. We've got a lot of headspace of growth still on Dr Pepper Zero.

And then continued innovation. We've got an exciting new variant coming next year. I won't announce it tonight, but you'll see it showing up in '25.

And so I think we've got a lot of runway still on Dr Pepper. And by the way, I know the question was on Pepper, but then you think about the rest of Ref Bev portfolio – Canada Dry, a great success there, billion dollar brand. Think about brands like 7UP. We completely reskinned and relaunched that brand in lemon-lime. We've got some innovation next year. Brands like Mott's.

So we've got a lot of runway still in US Refreshment Beverage, definitely underpinned by flagship Dr Pepper.

Lauren Lieberman: OK, great. And I felt like there was a – actually, a pretty candid discussion, I think it was last quarter's call, on the work still to be done on Stills in the portfolio. And that was very appreciated, the transparency, and just you're saying, here's where we are.

So you've got the Bai restage, you had Core programming around the Olympics, Mott's back-to-school season. But if we take a step back and think about maybe the bigger picture behind some of these brands, are there structural factors that make competing in these categories or with these brands different than what you experienced in CSDs? Are they getting the support they need, given – I would guess, the first call on resources is always going to be Pepper.

Tim Cofer: Right. Yes, well, stepping back first, I'd say since merger, the last five years, we've experienced good growth on our Stills portfolio. And consistently driving kind of that mid-single digit growth trajectory.

It's fair to say of late, at a category level, Stills is under pressure, you know, as a collection of beverages. And I really think that is macro-driven. It is a function of what you're seeing overall, back to your first question on the consumer dynamic and the macro backdrop.

When you think about it, Stills skew more to instant consumption and to single bottle, relative to some other categories. And so when you're seeing pressure at things like C-

store and instant consumption, it kind of connects that Stills' under pressure. So a lot of this is a broader kind of macro backdrop.

Within that, and you cited a few of them, I point to very quickly four of our biggest Still businesses and how we're feeling about it.

I'll start with Bai. As you mentioned, completely relaunched the Bai brand this year, under the banner of WonderWater. Reformulated beverage, a clean label, great new flavors, a powerful celebrity spokesperson and partnership and kind of collab with Sydney Sweeney. Great activation in store, and we're seeing in the last quarter incremental household penetration, new users, improving velocity. And so it's early days, but we're encouraged on what we're seeing on Bai.

Next place I'd go is Core. And you know, we placed a bet this year. The big bet was on the Women's US Gymnastics team. Congratulations to them on the gold medal performance in Paris, and I think that's paid off at retail. Our retailers got behind it, had some great activation in-store, some good price promotion activity. And we're seeing in particular younger and multi-cultural consumers coming into the Core franchise. That's encouraging.

The third is Mott's, and actually in the Still portfolio, I'd say that one, I'm probably most excited about this year. Big bet on Mott's for back-to-school. Mott's, as you'd expect, mom-approved, kid-loved brand. This is a billion-dollar brand for us, Mott's. One of our purest, most unadulterated beverages, we contract with family farms in upstate New York here and we've got our facility there in New York and picked-fresh apples converted into apple juice and sauce in like 20 minutes. It is a great product, a fresh and natural product, and we've got an all-new campaign with spokes apples for Mott's, so look for the spokes apples. And great activation in-store. And where we've seen the early programming around back-to-school, we're seeing some significant share gains in Sauce and Pouch. So I'm encouraged about what you'll see on Mott's.

And then, I'd be remiss if I didn't talk about Snapple. And I think, you know, to the premise of your question, I expect more from our Snapple's franchise. We have work to do in Snapple. Snapple's another icon, almost a billion-dollar brand. Obviously, the heartland here in the Northeast for Snapple. We have more to do there. It's a construction site. We're working with our marketing team, our consumer insights team, and you will see some fresh programming, partnerships and some innovation coming in '25.

But in aggregate, I'd say we like our Still portfolio. There is macro pressure that's consistent with the industry, but we're controlling what we can control. I think three of the four big ones are on their way and one's yet to come.

Lauren Lieberman:

OK, great. Talk a little bit about DSD, right? You have a unique DSD system. You've continued to invest in capability since the merger. And then you recently acquired Kalil's Arizona assets, so that builds on that. And it seems that you're exploring the possibility of taking back distribution in California. So I'd love to talk – would be, how do you think about the relative merits of gaining further control of your distribution versus strategic partnerships with others?

Tim Cofer:

Yes. I think to win in liquid refreshment beverage, DSD is an absolutely critical capability. And at Keurig Dr Pepper we're very proud we're one of three national non-alc direct store delivery systems in the United States. We cover 80% of the US population with our own DSD system. And where we don't cover, we work with great partners.

You know, for me, DSD is something – I've had the privilege of running two DSD organizations in the past, and now here at KDP, it is truly a source of competitive advantage. And so, where possible, where feasible, where it makes sense economically, I do favor controlling that last mile. I think it can be a source of competitive advantage.

And you know, one of the greatest enablers of DSD excellence is scale. And it's one of these virtuous cycles where scale begets scale. You build scale, as we've done at KDP over these last few years, both organically and through great new partnerships. Think Electrolit, C4, etc. That allows you to have a larger drop size, particularly at places like small outlet, greater store frequency that improves your overall economics. You can then reinvest further into that DSD asset, and that flywheel just starts to turn.

So where it makes sense, we like to do that, and as you say it, Lauren, Kalil is our latest example of that. We announced that in our last earnings call. Really pleased. Early days – just closed that last month, so we're a few weeks into it. But opening up all new geography. Arizona was kind of white space for us. It's a great state, large population, high growth, multi-cultural, and now we've got KDP assets on the ground – two facilities, Tempe and Tucson, and we can service that entire state. So we feel very, very good about that.

As I said earlier, in the places where we aren't present, we work with great partners, and certainly we've got hundreds of contracts across the country with various partners, both big and small, and we value those partnerships. I met with almost every one of our major bottling and distributor partners. That's a really important part of our ecosystem, and we'll continue to honor the agreements we have. But when opportunities come up, where we have the opportunity to look at the possibility of taking back the rights, we're going to look at that, and we're going to look at it through two lenses. One, what's best for the brand – do we think that the brand can be enhanced, distribution availability, etc., through our stewardship? And the other, obviously, is what's in the best interest of the shareholder, will we get a good return if we make the investment, like we did with Kalil.

Lauren Lieberman:

OK. I have to shift gears – I'm looking at the time.

Tim Cofer:

Please.

Lauren Lieberman:

I have follow-ups, though. OK. Coffee. So you've been focused in turn on US Coffee revenue momentum this year. There, too, you've been very transparent about adjustments needing to be made. Can you just talk maybe about what's gone through as anticipated thus far, and maybe what hasn't? Are you pleased with progress? Kind of key focus areas from here.

Tim Cofer:

Yes. You know, stepping back, I joined KDP in late '23, and as Sudhanshu and I and the Coffee team were putting together the plan for 2024, I think it's fair to say we anticipated an at-home Coffee category that was still very much in recovery mode. And I think when we did the initial guide, we talked about a muted at-home Coffee environment.

And when you sit here today, September of '24, I'd think that expectation was appropriate and I think it was prudent, and I think it's largely played out as we anticipated.

At-home Coffee is still on the recovery mode of kind of that post-pandemic normalization. And if anything, that overall affordability concern that we talked about in your first question, also plays into it. And so, you know, for us, we are focusing on controlling what we can control, and I'd point to three key levers – affordability, Premium and Cold.

So on affordability, that is a big push. You know, you think about coffee. If you look at every major category in food and beverage in the grocery store, coffee is actually like a top five dollar per unit category. Right? Because of its multi-served nature. So when you think about the inflationary environment post-COVID, everything's up – call it 20%. But for a higher dollar-ring category, that hits the pocketbook just a little bit more.

So what are we doing about it? It's everything from price pack architecture – I think we've shared with you and others, we've down-counted our 12-count to a 10-count. In K-cups, our 100-count in club to an 80-count. Not changing the price per pod, but a lower dollar outlay. We're also pursuing value price brewers.

And I think you asked this question on our last earnings call, we're also pursuing value messaging. It's out there now as of second quarter, seeing good ROI on that. Very simple, telegraphic digital messaging that puts the quality and convenience of Keurig coffee in a broader frame of at-home coffee. Simple messages like, for the price of your Monday coffee shop coffee, you can have Monday through Friday with Keurig. We're seeing, you can imagine, on the value conscious consumer, low and mid-income, pretty resonant messaging there. So that's value.

On Premium, we're seeing great traction. We announced the expanded relationship with Lavazza. I'm meeting actually with our Lavazza partners tomorrow, from Italy, who are making a trip over here. Lavazza, La Colombe, a fantastic brand with a great super-premium offering.

And then finally, Cold. At away-from-home coffee shops, up to 70% of beverages are sold cold or iced. And yet, at-home, that behavior is less than 20%. We have a huge opportunity as the preeminent pioneer in single serve coffee to bring [inaudible] coffee at home. This year is our largest push ever into cold coffee.

The new Keurig Brew + Chill, which is now available, brews a cold cup of coffee to the touch in two to three minutes. New iced and cold brews – and Refreshers. That's our big news this year. Under the Original Donut Shop, we've launched a line of Refreshers. That's double our expectation so far. So I feel very good about it.

So I think controlling what you can control, I'd speak to – while the at-home coffee category is still muted, as expected, I'd speak to three quick green shoots.

Number one, pod volume momentum is sequentially improving. If you look at back half '23, front half '24, it stepped up, and we would expect up – to step up again in the back half '24. So pod volume momentum sequential [inaudible].

Second, our owned and licensed market share is also improving. On the back of that innovation slate, brand activation slate, PPA – price pack architecture moves I referenced.

And you know, the third is brewers. We're seeing growth in brewers, which is very good, and obviously a leading indicator of what's yet to come. And we're seeing growth of the Keurig brewers in the overall universe of total coffee brewers.

So, encouraging green shoots on Coffee.

Lauren Lieberman: OK, great. And just sticking with Coffee, [inaudible] now once again inflationary for Coffee. So how are you thinking about balancing top line progress against protecting margins? And then so maybe a little bit longer term, do you see potential for further expanding margins, particularly with the new disruptive innovation that's on the horizon?

Sudhanshu Priyadarshi: So this is a great question. In the short term, obviously we're seeing highly inflationary green coffee prices, but we normally hedge for six to nine months, so we have already factored that in in our outlook for 2024. So the guidance, which Tim just reaffirmed this morning, has factored that in.

In the long term, we are the steward of Keurig coffee, and for there, the goal is to create sustainable growth in our single serve. And the way you do it in a balanced top line and bottom line growth in the long term with an attractive margin that allows us to keep reinvesting money in the business.

You have seen this green coffee was this high, cheap four years ago, it comes, goes, up and down. We look at four factors that drive margin. One is obviously inflation, pricing, productivity. I talked about Spartanburg and how it's ramping up, allowing us to have better cost per pod, and [inaudible] management, where we are launching a creative mix of premium brands.

So all of those factors still gives us the confidence that we will continue to expand margin in the long term, and that allows us to reinvest money in the system.

Regarding the short term, we said it's already been factored in, and as said before on the call, in 2024 for the full year, we are expecting margin expansion versus 2023. Obviously for the more first half based, but for the full year, we will expand margin versus 2023.

Lauren Lieberman: OK, great. And I just wanted to focus within disrupted innovation.

Tim Cofer: Right.

Lauren Lieberman: So you announced next generation coffee system, the new consumable plastic-free K-rounds, reverse compatible brewer, K-Alta. So why now? And how are you sizing the opportunity for that system and any key milestones between now and commercial launch?

Tim Cofer: Yes. At Keurig Dr Pepper, we talk about a challenger mindset as central to our culture. And when you think about what does it mean to be a challenger, it is about disruption. And that includes being willing to disrupt ourselves. And I think a great example of that is this new Keurig Alta brewer, and K-Rounds. And this has been a labor of love for the last many years in our R&D group at Keurig, and really addresses everything the consumer would want in their brewer. So this new brewer starts by providing all types of beverages – the traditional drip long black coffee, but also a high pressure espresso, your lattes, your cappuccinos, and cold coffee. So every form of coffee you'd like in one brewer. And on top of that, as you say, it does it in a pod that is completely plastic-free and completely aluminum-free.

So we're really excited about this. More importantly, since we unveiled our intent on this, our retail partners are really excited. So we've met with, as you'd imagine, all of our retail partners, they're excited to bring this to market with us.

And the timing is really later this year that we're going to go into beta consumer tests. We've actually got a number of investors and analysts – I think you might be one? – that's have raised their hand and said, hey, I'll be in the beta test, and we look forward to sharing that with many of you.

And we really want to get this right. Right? This is a disruptive technology, and we want to be sure that we learn in this beta test consumer preferences, consumer usage, consumer friction points. We also, since this is a new technology, like a lot of technology, there is going to be a – an adoption curve that we need to better understand. That's why, as you said in your question, we made it reverse-compatible. So this brewer will brew both your traditional K-cup, and this new K-Round plastic-free and aluminum-free. And so, we want to understand what that migration arc looks like.

We're excited to do that. I think, you know, as you think about the impact to our results, it's not going to be a material impact to 2025, because we're going to use this time to get it right. But really, after that, as you think '26 and beyond, it's going to show up, and I think it can show up in a big way.

Lauren Lieberman: OK, great. International. So you've characterized the International business as an under-appreciated asset. We've certainly seen that in the results of late. Could you maybe just shed some light on how you've been driving outside growth in those international markets? Where do you focus the investments, and where do you see is the most promising expansion opportunities?

Sudhanshu Priyadarshi: So, International business has doubled since the time of the merger, which was roughly a \$1 billion business, and be most Keurig and Dr Pepper, and now it's close to a \$2 billion business. It has high single digit top line growth, and we believe it will remain an outside growth driver in the future too. So our algorithm is mid-single digit for the company, and

we believe this International business will continue to drive high single digit growth in the near future.

Currently we have two businesses, two billion-dollar businesses, and one is in Mexico, plus LAB, and second is in Canada. Both these businesses have a solid foundation. We have attractive categories, we have leading brands, we have a strong route to market, multi-channel out to market. In Mexico, we have a company on DSD, and third, we have a local team, experienced team, that really knows the business very well.

The growth, most of the growth is mostly driven by Mexico, and Mexico is like US, where we have company-owned DSD, and DSD is important in Mexico because there's a lot of traditional trade. So it has – it's the critical for driving that growth that allows us to reinvest in cooler, reinvest in more – adding more routes.

And the second thing, we have a great portfolio. We also do [inaudible] from US to Mexico, and the capability is like RGM, price management, mix management. We use this from US and in Mexico and that's driving growth.

And we have a lot of room to grow there also in terms of portfolios. It's similar like US, we have this build by partner brands. We have Red Bull on our truck in Mexico.

Canada is – it is – we have – it's more like US. We have a preeminent coffee system where we are driving growth, similar [inaudible] growth, store-based growth, household penetration, pod innovation, brewer innovation, also signing new partners. And we – in our CSD, we're driving similar like US, innovation, that's driving the share. And we also have low alc and non-alc portfolio in Canada that's growing faster than the [inaudible].

So these are the businesses that gives us confidence that this will remain an outside growth driver for KDP.

Lauren Lieberman: OK, great. In our last minute, I'd just – sorry. Free cash flow generation's accelerating, balance sheet leverage is reasonable, gives you more optionality. So how are you thinking about investing for growth versus returning cash to shareholders? And is a preferred model for portfolio evolution still partnerships versus [inaudible]?

Sudhanshu Priyadarshi: So we – so cash flow generation is strong hallmark of our business. We have generated a lot of cash flow during last five, six years. And you could look at it, the way we have invested, it may be different by year, but overall in the 50% of the investment went to internal business, M&A partners [inaudible] 50% went through returning money to the shareholder through dividend, through opportunity share buybacks. So we are very happy the way we have allocated our capital state.

Regarding M&A and partnership, that's – so our number one priority is internal investment, that has the best payment. Number two is M&A and partnership, and lately you have seen us doing more partnership with equity ownership. But we are not ready to un-model it. It depends on, first, we want to be in the white space, to continue to expand our portfolio. Then we decide what's the right model. Is it build by partner?

And then it comes to what the valuation is. Are we better off taking majority control versus doing a minority control and adding distribution, because that also gives you another – a profit pool.

So it depends on the asset, it depends on what other attractive opportunity we have to invest in, whether – when the stock price was down in beginning of the year, we purchased more than \$1 billion market share – of the share buyback.

So we do all of that, look at different investment at different time. But in the long run, we are not wedded to one partnership model and it's more asset by asset.

Lauren Lieberman:

OK, great. We are out of time, so please join me in thanking the KDP team for being here, and we're going to go to a breakout session after this.