Q3 2020 Earnings Call

Company Participants

- Hugh F. Johnston, Vice Chairman and Chief Financial Officer
- Ramon L. Laguarta, Chairman and Chief Executive Officer
- Ravi Pamnani, Senior Vice President, Investor Relations

Other Participants

- Andrea Teixeira, Analyst
- Bonnie Herzog, Analyst
- Bryan Spillane, Analyst
- Dara Mohsenian, Analyst
- Kaumil Gajrawala, Analyst
- Kevin Grundy, Analyst
- Lauren Lieberman, Analyst
- Laurent Grandet, Analyst
- Nik Modi, Analyst
- Rob Ottenstein, Analyst
- Steve Powers, Analyst
- Unidentified Participant

Presentation

Operator

Good morning and welcome to PepsiCo's Third Quarter Earnings Question-and-Answer Session. Your lines have been placed on listen-only until it is your turn to ask a question. (Operator Instructions) Today's call is being recorded and will be archived at www.pepsico.com.

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

Ravi Pamnani {BIO 6230658 <GO>}

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

Before we begin, please take note of our cautionary statement. We may make forward-looking statements on today's call including about our business plans, 2020 outlook and the potential impact of the COVID-19 pandemic on our business. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, and we are under no obligation to update.

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

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

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

Questions And Answers

Operator

(Operator Instructions) Our first question comes from the line of Dara Mohsenian of Morgan Stanley.

Q - Dara Mohsenian {BIO 3017577 <GO>}

Hi. Can you hear me?

A - Ramon L. Laguarta {BIO 18967774 <GO>}

We can.

Q - Dara Mohsenian {BIO 3017577 <GO>}

Okay. Great. So good morning. With the better than expected results here in Q3 and for full year earnings guidance, we're likely to end up with a pretty solid 2020 earnings result all things considered post-COVID. So I know you won't guide explicitly for next year, but just trying to understand at a high level, do you view 2020 as a depressed earnings result and sort of a depressed earnings base that we should see outsized growth off of as we look out to 2021, particularly as COVID cost drop off or is your bias more to reinvest any assumed drop off in COVID costs? And perhaps, you can just discuss some of the key puts and takes potentially looking out to 2021 relative to what's obviously an abnormal 2020?

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Okay. Good morning, Dara. Yeah. Listen, we're very happy with the quarter and how our investments are starting to deliver in terms of, I would say, a global market share improvement and sustain top-line acceleration, and also how some of that is flowing down to the bottom of the P&L as you saw in our EPS numbers. In terms of your question of are we going to keep investing or not, I think you know our philosophy. We've been trying to have sustainable growth for the business, top-line and bottom line very balanced in that respect. I think there are continues reinvestments required in terms of brands pivoting into new spaces or new capabilities required because of the new ways consumers are shopping, especially around the omnichannel transformation, there are sustainability reinvestments required.

So we're going to continue to run the business in a very balanced way right, or we are going to flow to the bottom line along the lines of what we said a couple of years ago when we defined our high-single digit ambition for EPS long term, and make sure that we don't sacrifice the reinvestments that are required for a Company of our scale to remain competitive long-term given what's going on externally. So that's how we're thinking about the business. Obviously, we'll give you more information in February. We'll know more about how the pandemic evolves, the costs that will still be required to run the business. I would not be assuming at this point that the pandemic costs will go away by next year. I think we will continue to have to put some cost back into the business to run the business safely. So more in February, but I just wanted you to get the philosophy how we're thinking about the long term reinvestment in the business and the delivery of our EPS on a yearly basis.

Operator

Your next question comes from the line of Andrea Teixeira of JPMorgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Hi. Good morning and I hope all is well. So you spoke on the resilience of the business in developed markets and the recovery in beverages particularly in North America and also in Europe. So I was hoping if you can elaborate more, Ramon, on the trends for the on-premises with the reopening and how are you planning your price points in places in emerging markets where recession may be hitting more the consumer?

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. Hi, Andrea. Good. Yes. Listen -- yeah, I can give you a bit more color on the away from home business. It has rebounded from the very lows of April, May, right, is better, there is more mobility, there's more traffic in some channels. I would say, there is a lot of innovation in a lot of the customers. So they are adapting to the new reality, especially restaurants and some entrepreneurs are finding ways to adjust. But it still is a very big drag in our business, I would say in the levels of 30% to 40% versus the year ago, negative still in most of the developed markets. So it's still a very negative. It's better than the minus 67% that we had in the April-May, but I'm sure it's going to be improving, right. We see some channels still hurting a lot like hospitality or entertainment or transportation. Those are still very low. We see some other channels improving and we obviously are going to lean into those channels to capture most of the growth. So that's the first part.

On the second part, Andrea, yeah, we see developing markets, especially, I would say, Latin America, parts of Africa, Middle East starting to feel the economic challenges for a lot of the households, so people are starting to -- there's a bit more unemployment and there's obviously this possible income challenges for many families. We tend to do well in those circumstances. We can adjust our price points quite fast and we have good playbooks on how to play in recessions, how to adjust entry points to the category, how to deliver good value on some of the family sizes that are preferred as well. So I think we're going to do okay. We tend to do okay in this situation, but yes, there is, I would say, Latin America and Africa, Middle East signs of economic challenges for many households.

Operator

Your next question comes from the line of Bonnie Herzog of Goldman Sachs.

Q - Bonnie Herzog {BIO 1840179 <GO>}

Thank you. Good morning, everyone. I had a question on your FY '20 guidance, which implies that organic sales growth should, I guess, modestly accelerate to, I think, around 5% in Q4 versus the 4.2% you recorded in Q3, but then, when I think about your full year EPS guidance, that implies EPS growth in the fourth quarter will moderate a fair amount to around -- from the 9% that you report in Q3 to around 3%. So just really wanted to understand how conservative your guidance might be, especially as I think about you facing maybe even fewer COVID-related headwinds as you round out the year. And then maybe you guys could touch on what that assumes for A&M spending in Q4. I guess it could assume a pretty big step-up and maybe put pressure on your margins, but drive an acceleration in your top-line. So any color there would be helpful. Thank you.

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Hugh, you want to cover this one?

A - Hugh F. Johnston {BIO 15089105 <GO>}

Yeah. Happy to. Good morning, Bonnie. A couple of things. Maybe you and Ravi can talk a little bit. My math is a little different on the top-line for Q4. I think it lands somewhere in the mid-4% based on the implied full year backing into Q4. In terms of the margin implications, probably the biggest factor in all of it will continue to be the COVID costs. We mentioned that we had about $150 million worth of COVID costs in Q3 and that will continue to some degree in Q4 as well. And it's a bit of a longer quarter in that regard.

In addition to that, you know that our A&M spend is booked on a curve and as we get into the fourth quarter, the curve will be affected by the full year A&M spend. So I think it's a bit more of a drag in Q4 than it was in Q3. So nothing beyond those things, nothing in terms of other big notable cost other than higher A&M and COVID costs that will continue based on what you've seen so far.

Operator

Your next question comes from the line of Bryan Spillane of Bank of America.

Q - Bryan Spillane {BIO 2147799 <GO>}

Hey. Good morning, everyone. Wanted to ask a question about PBNA and good sequential improvement in the third quarter. And I guess Ramon, what I'd like to understand now is, now that you've got an energy drink, a more comprehensive energy drink portfolio, can you elaborate a little bit more on some of the things you're going to do to potentially, I guess, take advantage of this situation? You've got a largely Company-owned bottling system, you've got the resources to spend, so are there opportunities to begin to accelerate market share from here? And then, maybe if you could just touch on, in the third quarter, specifically were there any market share issues or any issues with out of stocks relative to maybe can shortages or packaging?

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. Hey, Bryan. How are you? Good. Yes. Good question. Listen, when we talked about PBNA about a year ago, we said we're going to try to go one step at a time trying to fix all the different opportunities we had with the different brands, right. And the truth is that, Q3 is a good reflection of that effort that the team has done over the last year, year and a half. If you look at every one of our large brands, it's accelerating. So Pepsi's growing, Mountain Dew good growth, Gatorade very good growth I would say. Our coffees, our teas, our juices are growing double digit. So very good performance across.

We've then -- with regards to the energy integration, as you can imagine, there is a lot of small details, right, in operational details in integrating a business like Bang, which is quite sizable and trying to move it from a very dispersed distribution set up to a more consolidated one. So in every state we had different anecdotes and also the Rockstar integration. So I think the team has done a very good job in terms of both the integration and now we're starting to run it as a full business.

So to your question on the future, I think we're going to continue to double down on what I think has driven the success, which is very good innovation, right. So if you think about all our Zero innovation is doing very well. Gatorade Zero, massive innovation; Mountain Dew Zero is doing very well and starting to bring new consumers into the franchise, younger consumers that we had not been very successful with. So we feel good about that. Pepsi Zero, growing very nicely. Then obviously bubly continues to do very well. So we'll continue to double down on innovation as a lever. We will continue to double down on execution and becoming a better operating company.

So I think the changes we made to our organization to more of a division structure is giving us more granularity and more local excellence, if you wish. In terms of execution, we're going to double down on that. The energy portfolio gives us a much more scale in the convenience channel, which was some sort of a weakness for us. And so we are improving in that channel. If you see the market share in convenience stores in the summer, great progress. So we're happy with how we're doing in that respect. So we will continue with the playbook. It's working for us. Now, we have one more set of tools in our arsenal with this energy portfolio. We're happy with the way Gatorade is working. We're seeing a lot of more people exercising, is a good trend. We like it that people are exercising at home, people are embracing daily routines of exercising, that helps the sports drink category and obviously, Gatorade is a leader in that category. So we see a lot of positives for growth in the portfolio.

And then, we're happy with Mountain Dew. Mountain Dew Zero has been a great addition to the team. And I mean it's getting scale and it's getting very good trial, very good repeats and is very incremental to the brand. So I think you will see I think that sustained performance in PBNA. And hopefully, we can, yeah, improve our market competitiveness as we go along.

Operator

Your next question comes from the line of Nik Modi of RBC Capital Markets.

Q - Nik Modi {BIO 7351672 <GO>}

Hi. Good morning, everyone. I just had a quick clarification question and then my real question. Ramon, I was hoping you could just clarify your comments around the COVID related costs in saying that, you expect them to stick around in 2021 or beyond this year. I just wanted to see if you can just clarify, like how much of it actually out of the total pool of COVID costs do you actually think will stick around?

And then my actual question is just on Pepsi Beverages North American and its margin profile. So margins today are 400 basis points, 500 basis points below the peak. So I'm just trying to understand how you're philosophically thinking about the migration of that margin back up to kind of where they used to be? I mean, is this something that you want to really see happen quickly or you think it will be a much more of a measured pace, any thoughts around that would be helpful?

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. On the COVID costs, my point is, I don't know how the pandemic will evolve, but I think it's going to be very likely that we'll still have to be very careful and keep our people safe for a large part of the year, next year. It's not going to be as much as what we had this year, especially at the beginning. I think we're getting better at this. We are finding more effective ways to run the business under this difficult circumstances, but there is going to be a still some inefficiency and some additional costs because of COVID. So that was my point.

With regards to the PBNA business and the shape of its portfolio and the profitability, obviously, we want to get back to a much higher levels. The speed of the transition to the higher levels will depend on our success to drive market share and to drive efficiency on our especially S&D and supply chain, which is where I think we have more of the opportunities. So we have a sense of urgency in all these in becoming a better performing top-line Company and in improving the efficiency of the business. As you can see from the Q3 results, it's a good performance, but we're not going to sacrifice the long term for the short term.

So we're going to continue to invest in our brands, make sure that they are well funded, that we'll continue to keep our consumers in our brands, keep them engage. We innovate with well funded innovation and that we invest in data. Especially data and infrastructure investments are required to pivot to be multi -- omnichannel world that we're living and we're not going to sacrifice those investments for an accelerated profit improvement, but you should see profit improvement in PBNA going forward.

A - Hugh F. Johnston {BIO 15089105 <GO>}

Hey, Ramon, if I can just add to Nik's question a bit on the COVID cost. Nik to build on Ramon's answer a bit, obviously, upfront there were sort of two implications. One was around taking reserves around potential losses due to customers exiting their businesses, particularly in the foodservice area. And then, the second piece of the cost is personal protective equipment and sanitation and things like that, which is more ongoing. In Q3 and Q4, those numbers are sort of landing at about $150 million or so. Depending on the course of the pandemic for next year, obviously, we're going to need to continue to protect our people. So those costs obviously will continue until we get to a point where we have a different outcome from the perspective of the virus.

Operator

Your next question comes from the line of Lauren Lieberman of Barclays.

Q - Lauren Lieberman {BIO 4832525 <GO>}

Great. Thanks. Good morning. You touched a little bit on your ability to move quickly in emerging markets to adjust pricing in a challenging macroeconomic environment. I was curious: number one, the degree to which you've already started to make those moves because in some of those markets the price mix was a little bit below what I'd model but volume was a bit better. So I was curious kind of to what degree you've already started to put that playbook into place?

And then, from a longer-term perspective, Ramon, I think year and a half ago when you first started communicating with the Street about your longer-term plans, you talked about the need to broaden out the portfolio in international snacking into the value tiers and that's where kind of your share performance wasn't quite what it could be. So I was curious if you've made any progress on that front? Of course, knowing COVID kind of interrupted business as usual, but I was curious about any progress there as well.

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. It's good. No, listen, I think international is probably the biggest opportunity we have long-term, right. I mean the per caps in both our beverages and in our snacks still very low and we see that as our number one driver of future value for the Company. So that's a big focus for us. We've seen the levers to drive per capita consumption, affordability clearly is a big one for us. And we continue to make progress on adjusting our cost structures to the different market realities and that allows us to have much more flexibility on the price points and on -- then what we decide to do with the different levels of tiering of the markets. Now, the big enabler, if you want, for being a really affordable product and that would drive per caps is our cost structures and I think we're making great progress on adjusting a lot of the levers of the cost, be it in the supply chain, be it in the G&A, be it in the selling and distribution. So I think we're making great progress on adjusting the decisions we make on supply, delivery and management for the different realities in the different developing markets and that's driving affordability, that's driving, as you were saying, volume increase even in a situation where a lot of those markets are suffering. Obviously, a lot of small stores are still closed and there is a lot of adjustment to the COVID reality in many of those markets from the consumer and customer point of view. But our strategic intent continues to be that one, reduction of costs, adjustment of the price points and continue to invest in the brands and the innovation that will drive the per cap development in international.

Operator

Your next question comes from the line of Kaumil Gajrawala of Credit Suisse.

Q - Kaumil Gajrawala {BIO 20703548 <GO>}

Hey. Good morning, guys. Can we talk a little bit about Quaker and if we should be thinking about Quaker differently long term? In that right now, obviously, it's benefiting from the environment that we're in, but is there anything happening there that might suggest trends could look different on a run rate basis for that part of your business?

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. Couple of things there. Number one, we are gaining penetration in a good, good way with Quaker, most of the segments in the Quaker business in this last six months. So we've gained penetration, we're investing to retain those new families and obviously, to increase frequency in the -- it was a pretty large penetrated brand. It's not as small penetrated. So make sure that consumers kind of reconnect with the brand and with the transformation we've made to the portfolio in the last few years, eliminating artificials, on making the product, I would say, more forward-looking product. So I think that that work is in motion and I think consumers are voting that they like our products and we're gaining share in many of the sub-segments of the Quaker family.

Now, going forward, our assumptions are still to be validated with future. We need to see where the consumer really ends up. I think there's going to be more cooking and eating occasions at home going forward. And especially, we think that breakfast, there will be at least one or two more occasions at home every week, because I don't think we're going to go back to work in the same way that we used to and that's our assumption at this point. Obviously, we can be right or we can be wrong, but if you judge by how in developed markets everybody is thinking about their return to the offices, I think it's going to be a much more flexible environment and much more tech enabled, remote kind of work, where consumers will be at home a few days of the week. And that will drive I think different behavior in terms of breakfast consumption and potentially some of the other meals during the day, especially lunch. So that's how we're thinking about the long-term category growth and we're trying to position ourselves to compete well in that new environment where there should be more occasions for our products.

Operator

Your next question comes from the line of Rob Ottenstein of Evercore.

Q - Rob Ottenstein {BIO 1498660 <GO>}

Great. Thank you very much. First just a clarification of your prerecorded tape in which you said, you expect the US to be fairly steady, but international being somewhat choppy. I'm wondering if you could tell us kind of what you actually saw in September in international markets to drive that? And then, my main question is you put out now some very interesting direct-to-consumer businesses in the US, realizing that they're very small today, but can you talk about what you're learning from those in terms of the consumer behavior or habits and innovation, and how you expect to use those direct-to-consumer channels in the future? Thank you.

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. The direct-to-consumer models, as you are saying, is more of an attempt for us to stay closer to the consumer, read them, understand reaction to early innovation and then, obviously, taking mainstream into the balance of the channels. It is still, as you're saying, very embryonary, smaller percentage, but we're getting a good insights and we plan to obviously scale them up a little bit and get better at reading consumers early, test and learning with our innovation and also improving the way we segment consumers. We have prototypes of consumers that we can innovate and talk to in our communications. So that's the journey going forward.

In terms of the COVID in international, as you read around, there is an increase in COVID cases in especially Europe, I would say. They had managed to control the pandemic pretty well. Now, September they've seen number of cases going up. The way we're seeing governments managing the situation so far is with local restrictions. When that happens, the business gets a little bit impacted, but not as much, obviously, as it was during the April, May, more dramatic restrictions on people mobility. So we're not seeing the business being impacted much at this point. That doesn't mean that as the winter comes and there is either the governments have to take more restrictions that the business may be a little bit more impacted, especially on the away from home and some of the more capital channels.

So far we haven't seen that and we've seen the government's making very -- a bit more balanced decisions between keeping the economy going and trying to protect everybody against the spread of the pandemic. So that's the situation especially in Europe as we've seen the situation evolving there.

Operator

Your next question comes from the line of Steve Powers of Deutsche Bank.

Q - Steve Powers {BIO 20734688 <GO>}

Yes. Thanks very much. Ramon, when you think back to the original faster, better, stronger framework that you laid out early last year and the investment priorities that you laid out alongside that, I guess, I'm curious just to hear whether the experiences of 2020 have altered those priorities at all? And I'm interested whether there are key things that have been permanently accelerated or added new to the mix versus other things that maybe have been de-prioritized even if only temporarily?

And I guess related to that maybe this is for Hugh, just I just note that CapEx for the year is about -- is now coming in about $1 billion lower versus the original outlook when 2020 started, and should we consider that simply a deferral or have you found efficiencies to more structurally reduce those investments? Thanks.

A - Ramon L. Laguarta {BIO 18967774 <GO>}

That's good question. Listen, I think we're happy that we had that framework going into these pandemic right, both the PepsiCo ways with very clear behaviors for our people and it has helped us a lot in managing through the pandemic, especially when we have now a more kind of empowered organization making more decisions in the front line. And they have a very I think good framework, clarity on what's expected and that's helping us perform.

In terms of the three vectors you were referring to, the faster, stronger, better, we're happy with the faster. Clearly, we're becoming more competitive in the marketplace. As we look into the future, I think, we're going to have to probably go more after drivers of share because categories might slow down a little bit. So I think innovation, brands, execution will play a very high role in trying to capture that market share.

When you look at the stronger, we had some -- obviously, it was part of the agenda to invest in becoming a much better omnichannel company, right. So e-commerce was big, supply chain flexibility was big, to enable that omnichannel. Obviously, I mean what's happened and you saw the numbers, the penetration of e-commerce or e-grocery is just accelerated by three years. So what we had forecasted to be three, four years from now, it's happening now. So that is a big focus of the organization. How do we accelerate the pivoting to the omnichannel much faster, which means that we're going to have to have some of the capabilities that we have.

I think we've made great progress in how we deal with consumer data and how we have much more performance marketing. We are improving a lot of those capabilities, creating internal content. So all of that is happening. On the flexibility of the supply chain as well, I think we were lucky that we made a lot of investments in additional capacity last year and that's helping us this year big time and helping us to have more flexibility. So good progress there. I think we need to pivot with more of a sense of urgency.

The other area where we're doubling down is what we call holistic cost management. Holistic cost management was a capability we had, but clearly, we need more of that in terms of being able to re-purpose money from one part of the P&L to another part of the P&L, and where we have inefficiencies, to get rid of those inefficiencies to reinvest back where we're going to get the best ROI in terms of growth and flow through. So that capability, I think, we've made good progress. That's another area where we put in a lot of emphasis.

On the better side, I would say the social consciousness, I mean the need for becoming much more of a social company, or -- not social company, but social aware company, both in terms of the environment and the inequalities, I think, that's also increased given the pandemic. So you saw we increased the foundation funding. We're also quite focused on improving all our environmental footprint. So those are areas that more than change in the trajectory is more a sense of urgency to get them done earlier as the consumer and society is expecting us to I think go faster in those areas.

A - Hugh F. Johnston {BIO 15089105 <GO>}

Yeah. And Steve, to finish off on your question around CapEx, clearly, there is some element of timing as COVID has made it more difficult to execute capital projects. But I would also tell you, we spent a lot of time and energy around identifying new low cost sources of capital and doing things in a much more efficient way. That clearly is going to benefit the level of spending going forward. So in terms of specifics, more to come in February, but I would tell you, we are getting more efficient with capital spending.

Operator

Your next question comes from the line of Kevin Grundy of Jefferies.

Q - Kevin Grundy {BIO 16423871 <GO>}

Great. Thanks. Congratulations guys. Great results so far year-to-date. Ramon question for you, we've covered a lot of ground. I did want to ask you about your openness to moving into the alcohol space, specifically hard seltzer. So as you know, the category has been growing rapidly. You've seen Coca-Cola's launch here with Topo Chico in Latin America. Recently, they plan to launch in the US next year with Molson Coors. There is also discussion that Monster and perhaps some other non-alcohol players maybe moving into this space. So I was hoping you could comment on your openness to moving into hard seltzers, is this an area that PepsiCo is looking at, how much time are you spending internally and then, maybe some of the governors that maybe in place around that possible decision? Thank you very much.

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. Welcome. No, listen, our focus today -- 100% focus is getting the energy strategy right, in terms of executing that. I think, as I said earlier, it's a multi-vector strategy that requires both Rockstar doing very well. It requires to do a great job with Bang, it requires innovation in Mountain Dew to move into that space, and then, do a great job with Starbucks. So those four big pillars, that's taking a lot of our focus and that's going to be our priority right, especially 2021. And I think you will see great progress in all those four fronts.

Now, obviously, we look at every opportunity, right, that is in the industry. And a couple of years ago, it was CBD, now it's more alcohol. So we get a lot of opportunities in front of us. Of course, we're looking at all of them and of course, we have people that are thinking more long-term versus the very immediate 2021. So we're reflecting, we're thinking what are the best options and we will make a decision in the coming quarters whether this is an area where PepsiCo wants to play. And then, more importantly, how do we capture a lot of value of these opportunity. Given the three tier system, it's not obvious how you capture a lot of value. So there is a: first, I would say, do we play or not; second, very important is, who do we play with and who do we partner to maximize the value for PepsiCo.

Operator

Your next question comes from the line of Laurent Grandet of Guggenheim.

Q - Laurent Grandet {BIO 19930531 <GO>}

Hey. Good morning, Ramon and Hugh. And despite the current environment booking here a [ph] strong quarter. So congrats to the entire team. A lot has been covered. So just a clarification maybe on PBNA results. Strong results in the quarter, especially as the on-premise in that continued to suffer. So maybe you could help us reconcile the difference between what we are seeing in Nielsen from your reported numbers. So could you tell us how big now is that e-commerce and on-premise channels for PBNA and the growth you are seeing in those two channels? Thank you.

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. Laurent, I mean, there has been quite a discrepancy always between the Nielsen numbers and the full performance of PBNA. So I would not go into the details of what it's channel -- obviously, e-commerce is booming and e-commerce is large, but there is much more than e-commerce between the final, I would say, results of the Company and what Nielsen covers in its review samples. So that's as much as I can say. There's obviously away from home, there's many channels that are not well covered, including some, I would say, organized channels that are not well covered by Nielsen.

Operator

Our final question will come from the line of Bill Chappell of Truist Securities.

Q - Unidentified Participant

Hey. This is actually (inaudible) on for Bill. Thanks for taking the question. Just quick one on Frito and the competitive dynamics in that space. You had a fairly large regional competitor that is now public and talked about some geographic expansion opportunities across the US. So wondering if you guys have seen anything different so far in the competitive dynamics for pricing in that space, or if you would expect to maybe over the next couple of years? I know there's been a focus on share and holding share, gaining share in this call. So I'm wondering if that changes your strategy or their strategy going forward. Thank you.

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. Great question. We like obviously our category in savory and there is other people that like it as well as well. So it's obviously driving new entrants from people that were not playing in savory and people that were playing in savory and have extended their ambitions to play beyond their original geographical limitations. So I think we welcome competition. In that sense to me, the more competitors and more investments in the brands, the higher, the larger the category becomes that's my experience globally, and I think it's everywhere in the world. So we welcome players to the arena, players that play with the levers that I think develop the category, which is advertising, innovation, better products. Those are the levers that develop a category and we welcome anyone in the business. It's hard to compete with Frito right, given the advantages that the company has, the scale of the brands, the distribution systems, the cost advantage, everything else. So it's not easy to compete with Frito, but I think it's good that we have multiple competitors and that develops the category.

Operator

That was our final question. Are there any closing remarks?

A - Ramon L. Laguarta {BIO 18967774 <GO>}

Yeah. Thank you very much everybody for your time this morning and your questions, insightful questions. And thank you for the confidence you've put in the Company and your investments in PepsiCo. And please stay safe and look forward to talking to you soon. Thank you.

Operator

Thank you. That does conclude today's PepsiCo third quarter earnings conference call. You may now disconnect.
