Q2 2021 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 of Investor Relations

Other Participants

- Andrea Faria Teixeira
- Bonnie Herzog
- Bryan Douglass Spillane
- Christopher Carey
- Dara Mohsenian
- Kevin Grundy
- Lauren Lieberman
- Laurent Grandet
- Nik Modi
- Robert Ottenstein
- Steve Powers
- Vivien Azer

Presentation

Operator

Good morning and welcome to PepsiCo's 2021 Second Quarter Earnings question-and-answer session. Your lines have been placed on listen-only until it is your turn to ask the 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. Good morning, everyone. I hope everyone has had a chance this morning to review our press release and prepared remarks, both of which are available on our website. Before we begin, please take note of our cautionary statement. We may make forward-looking statements on today's call including about our business plans, updated 2021 guidance, 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 July 13, 2021, and we are under no obligation to update.

When discussing our results, we refer to non-GAAP measures, which exclude certain items -- items from reported results. Please refer to our Q2 2021 earnings release and Form 10-Q available on pepsico.com for definitions and reconciliations of non-GAAP measures and additional information regarding our results, including a discussion of factors that could cause actual results to materially differ from forward-looking statements. Joining me today are PepsiCo's Chairman and CEO, Ramon Laguarta; and PepsiCo's Vice Chairman and CFO, Hugh Johnston. We ask that you please limit yourself to one question.

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

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) Our first question is coming from Bonnie Herzog of Goldman Sachs.

Q - Bonnie Herzog {BIO 1840179 <GO>}

Good morning, everyone.

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

Good morning, Bonnie.

Q - Bonnie Herzog {BIO 1840179 <GO>}

I guess, I wanted to ask about PBNA hoping you could provide a little bit more color on that business and the drivers of the robust top-line growth that you saw in the quarter. I guess I'm wondering if the growth accelerated each month in the quarter and if you're seeing this double-digit growth continue, so far in July also how big of a driver was the stepped-up marketing and advertising spend, which you mentioned was up double digits in the quarter. How much did that help drive the top line?

And then maybe, finally on this business, you mentioned, revenue in your on-premise business doubled in the quarter clearly, that's off of a very easy comp. But just curious when you expect revenues from that business to be back to normal levels. Thank you.

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

Yes, Bonnie. Let me try to answer a few of those elements. I think the results of the PBNA business are a consequence of the work we've been doing for the last, I would say, three years or so, in trying to prove the equity of the brands, improve the execution, improve the organization of focus et cetera. We're very pleased with the performance of all our brands, we are -- you think about Mountain Dew, Pepsi, Gatorade, all our large brands are growing very nicely and then on top of that, or say it smaller medium sized brands, like Starbucks, or Pure Leaf, or Bubly, others are also growing at a very nice pace.

So, I think the portfolio is working very well for us, the consequence of the great work the team has done on innovation and brand. And the field teams are doing on execution. So that is the area we feel more proud about obviously, as you mentioned there is a channel shift as consumers are moving more in the U.S. as more mobility the food service away from home channel is growing faster in Q2 obviously as you compared to last year.

And that's a tailwind to the business that I think will continue over the next quarters. But the most important thing, I think for us to assess, is that the business has been investing and it's delivering. As a consequence of that, we're gaining share, the view I'm sure you've looked at the share numbers for the business in the last few months and the business keeps gaining share, keeps getting more competitive. So that's a good sign of the return on those investments.

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

The only thing I wanted to add to the body Bonnie is -- A&M was up about 30% in the quarter to that specific question in PBNA or so I'm sorry total. Yes.

Operator

Our next question comes from line of Dara Mohsenian of Morgan Stanley.

Q - Dara Mohsenian {BIO 3017577 <GO>}

Hey, guys. So, just to build on that question. Obviously, a strong organic sales result in the quarter. Two-year average trends also accelerated sequentially and presumably; it was -- the top line was better than you expected with the raise for your sales guidance. So, I was just hoping for a bit more granularity on how much of the upside or the acceleration sequentially was driven by stronger category growth. You mentioned the on-premise strength obviously, in beverages versus accelerating corporate market share and maybe, just give us a little more detail and numbers around market share performance.

And then on a go-forward basis, given the strong market share trends, given the gross margin pressure, we saw in Q2, can you just talk a little bit conceptually, about pricing plans, going forward in Frito and beverages? And how the near-term promotional environment also may impact that, but just sort of your thoughts around pricing going forward in light of the market share strength and some of the gross margin pressure? Thanks.

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

Let me try to cover and then Hugh will also add on to it. I think when you look at the overall PepsiCo business, obviously, I mean, the biggest highlight for me is that the resilience of our snack business, right. So -- you think about last year, it grew high single-digit, this year it is growing high single-digit, that is extraordinary. If you think about the shifting consumer behavior how our portfolio is able to adapt to more of an in-home consumption pattern or a more of an away-from-home consumption pattern. So that part of the business is solid. It continues to grow at very high level in the U.S. and also internationally.

Obviously, the beverage category is benefiting from the change of patterns and behaviors of consumers, and it was very negatively affected in the away-from-home consumption last year. Obviously, we're benefiting now from that and you see that in the acceleration of obviously, our North America business. But globally, our beverage business is it's growing much faster in the away-from-home business obviously, as the stores are open and people are moving around. So that from the category dynamics.

Across the board, we're seeing a share of market momentum in the business. As a consequence of the investments, we've been making for the last few years. And this is not only the U.S., this is across most of our large markets internationally, developing and emerging markets. And that as I said is we have a better innovation, better focus on our brand messaging, better execution in store, better demand to supply connectivity. And so all that is working very well to our advantage.

So that's in terms of growth and the key levers as you were asking on what's driven the acceleration of the business. When you come to our pricing and our -- how we're going to deal with pricing in the coming months, I would say, obviously same as everybody else, we're seeing inflation in our business in across many of our raw ingredients and some of our inputs in labor and freight, and everything else that we operate in the same context. We feel very -- quite comfortable or confident that through a combination of net revenue management initiatives and increased productivity, we can navigate this and I mean we're looking at a -- obviously, staying within our long-term guidance for the coming year. So, it is a combination of tools that we're having. We're working with our partners in the retail space and in the away-from-home space to make the right decisions in pricing to give the consumers with us once we improve our margins there.

Operator

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

Q - Lauren Lieberman {BIO 4832525 <GO>}

Great. Thanks. Good morning. I'd love to hear a little bit about PBNA's margins this quarter obviously, very strong top line. So, there's going to be some operating leverage. But I was curious if you could talk a little bit about building blocks on the margin this quarter. What you're thinking of as a -- we've kind of reached a new sustainable level in that build to -- that aspiration to build PBNA margins back into the mid-teens type level. So, if you can share any kind of building blocks channel mix, absence of COVID costs, lower promotion that would be really helpful context. Thanks.

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

Yes. Hey, Lauren. It's Hugh. Actually, you just mentioned a couple of the important factors for sure. Channel mix obviously, is a benefit as small food service, as well as the convenience store channel continues to do well, convenience grew double digits, the food service channel as you saw doubled, and that's a good profitable channel for us.

So that clearly was a tailwind. But keep in mind, that's really getting us back to normal in a lot of ways as well. So, I don't view this as extraordinary. I just view it as we're getting back to sort of a more normal world, although clearly not all the way back. In addition to that the Energy category, which we participate in -- in a bigger way, obviously has higher margins. Mountain Dew rises off to a terrific start. Rockstar, we're slowly steadily making progress on that. As we said, we believe that would take some time and we continue to believe that will take some time, but we're seeing some of the right indications there.

And then as you noted, the combination of sort of operating leverage in the business, plus a reduction in COVID costs as we expected also contributed. So, some of the things that we've talked about in past quarters in terms of getting PBNA on the road to much stronger margins. We are certainly very acutely, aware of it and we are focused as a team on continuing to drive that improved performance.

Operator

Our next question comes from line of Kevin Grundy at Jefferies.

Q - Kevin Grundy {BIO 16423871 <GO>}

Great, thanks. Good morning, everyone and congratulations on the strong results. A question on the extension of the restructuring initiative and how this may translate to profitability. So, you now expect a billing an incremental annual savings for 2026. I think this was generally expected by the market and translates to over 100 basis points per annum of margins pre any sort of reinvestment. So, the question is do you see a greater likelihood that shareholders could see a greater degree of earnings flow through in this phase of the restructuring program and I ask that in the context of a clearly, healthier top line coming out of the pandemic and multi-year investments that the company has made, some of which we've discussed on this call that have already been put into the P&L. So -- and if the answer is no, what do you see as the most attractive areas of investment within the portfolio whether this is by product line or geography. So, thanks for that.

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

Yes. Hey Kevin, it's Hugh. A couple of things on that. Number one, look, we've obviously been delivering $1 billion of productivity, over $1 billion a year for a number of years and we continue to find opportunities to do that. Number two, a part of what we're trying to do is shape the company for the future and in doing so, we're obviously taking costs out in certain places and then we're investing in certain places like digitalizing the supply chain and making our interactions with customers and consumers much more efficient than they were in the past.

So, I think what you'll see is to some degree those things will balance out. We've always talked about something in the range of 30 bps of margin improvement that 20 range to

30 range that we've been in and I think you should assume that that's where we're going to be going forward as well, on an ongoing basis. Now obviously, quarter-to-quarter, those things may shift around a little bit, but that's sort of the track that we remain on along with accelerated revenue growth. So, the combination of accelerating revenue growth and 20 basis points to 30 basis points of margin improvement, translates into nice EPS. How much we deliver in every quarter obviously, will be a product of the specifics of that quarter.

Operator

Our next question comes from Bryan Spillane of Bank of America.

Q - Bryan Douglass Spillane {BIO 2147799 <GO>}

Hey, good morning, guys.

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

Good morning, Bryan.

Q - Bryan Douglass Spillane {BIO 2147799 <GO>}

Hugh, just wanted to touch a little bit on the kind of the dynamics within gross margin both in the quarter and I guess as we're looking forward. It's -- we know we've got raw material and commodity costs moving. Labor costs are higher, sounds like there's also some just tightness in supply and some packaging items. So, I guess, to the extent that raw material inflation probably, is going to be with us for a while. Just trying to understand as we're looking forward, how much of what you're seeing currently, you expect to sort of stick around for a while and how much of that you think begins to fade as we move -- as we begin to exit 2021.

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

Yes. Happy to answer that Bryan and maybe, shape a couple of summary comments to sort of help frame the numbers a bit. Obviously, gross margin was down in the quarter that was no surprise to anyone. The biggest driver of that by far were the big international acquisitions that we had that are just inherently lower gross margin businesses, still good businesses to be sure, but lower gross margin. So, the math of that obviously dragged them down to some degree.

In addition to that obviously, there are sort of ongoing inflationary pressure. We insulate ourselves to some degree based on our forward buying program and that has actually helped us clearly, this year. There will be a bit more pressure in the back half. But at the same time, we tended to -- we tend to take pricing after Labor Day in both of our businesses, and I think you would expect to see that pattern continue. So, is there some somewhat more inflation out there? There is. Are we going to be pricing to deal with it? We certainly are, the investments in our brands and the investments that we've made in supplying our customers, I think is what enables us to take that pricing as we have every year?

Operator

Our next question comes from one of Andrea Teixeira of JPMorgan.

Q - Andrea Faria Teixeira {BIO 1941397 <GO>}

Hi. Good morning and congrats on the strong results. So, I think my question is a bit like you just said here on the sales recovery, it implies -- the guidance implies about 4% to 5% growth in the second half. And it basically is acceleration of two years back. So, what is driving this more conservative assumptions, is that something outside the U.S. the lack of visibility, given that you have the reopening, you have the single serving coming back, you just said post Labor Day you have the pricing coming in and you also commented on the Energy becoming bigger for you. So, all of those, can you help us bridge why the second half would be an acceleration from two years back?

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

Yes. Andrea, a couple things I think went to our guidance first in and I'll always start with this. When we deliver guidance to you all, it is a number that we intend to hit and we have high assurance of hitting it. So, as we sort of evaluate scenarios for the balance of the year, we obviously contemplate both the opportunity factors that you've mentioned, all of which are quite real, as well as the risk factors of we're not fully out of the pandemic at this point yet. There's sort of lots of volatility -- to some degree in the U.S. and developed countries, but to an even greater degree in developing and emerging countries.

So, as we sort of think about our guidance, we sort of package all of that up and we adopt a posture that gives us the ability to deliver under pretty well, almost all scenarios and that's why we've been as consistent as we have been and in delivering our guidance. So, I think as you think about our posture, I'll just remind you of that, that's the way we tend to approach this.

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

Yes. I think Andrea has to be along what Hugh is saying. I think we're seeing obviously, positive trends in many markets, where we also see the reality of the pandemic. I was, yes, in Europe last week, working with the European team and when we thought it was going to be out of the COVID lockdowns, they are back into lockdowns in many markets.

So, I think, as you said, we're confident on the -- our marketplace performance. I think that will continue. We'll continue -- I think we're confident on the resilience of our categories, but also, we're aware of the ups and downs that may come in the coming months, especially, as we move into the colder months in the northern hemisphere. So that is all included in the forecast for the balance of the year.

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

And the one thing I will remind you of is we're delivering 6% on a full-year basis. That's on top of a 4.2% last year and on top of a 4.5% the previous year. So, it's pretty strong overall top-line performance for the year.

Operator

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

Q - Laurent Grandet {BIO 19930531 <GO>}

Hey, good morning everyone and I'd like to come back to some of the comments you made on the Energy category. You did say in the prior market was a pretty strong and you mentioned that you still have some work to do on Rockstar. So today, we are seeing that Starbucks and Rise to some extent and Bang doing very well, but Rockstar is a bit behind. So, could you maybe give us a bit more granularity about the relaunch and when you see numbers come in, in the U.S., but also internationally specifically in Europe for Rockstar. And also, going to have some indication about Mountain Dew Rise. So that we understand what's going on in the Energy category for you guys. Thank you.

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

Hi, Laurent. Yes. Listen, I think you mentioned the four pillars of our strategy, right? So let me let me go back one by one. Starbucks were super happy with the performance of that portfolio and the partnership with Starbucks is stronger than ever and we continue to innovate and I think the new products are excellent. The execution is excellent that business is growing, when take home and now away from home, it's really firing on all cylinders.

The Mountain Dew Rise, we're very happy with the initial execution and the initial consumer reaction. So, execution was very good from our teams. We tend to do that quite well. We have good ideas this system that executes granularly at a good level and we're seeing very good initial trial from consumers, very good repeats. If you follow on social networks, all the comments are extremely positive about the taste -- about the efficacy of the other products, good. It's 1% of energy, 1% share is clearly, we're aspiring for much more, but it's only been in the market for three -- for three months. So, very good start. I think it's a solid foundation for what is going to be I think, a great business.

As you say, we continue to distribute the Bang business as per our commitments, and that's going well. And then on Rockstar, we were always very transparent, this is a multi-year effort, right. We're trying to put strong foundations, strong foundations in the areas of product. So, we're changing some of the formulas. I think the non-sugar portfolio is excellent and that's the area of the category that is growing the fastest. Our execution is improving a lot, we're getting distribution and we're getting better visibility of the brand. And I think our brand positioning is quite good, is we found a niche that is -- wasn't there.

Clearly, it's differentiated from Red Bull and from Monster, and it's a unique position in there. We plan to insist on and I think we're getting good feedback as well on that positioning. So, we -- as I said, it's going to be a multi-year. We're very focused all the domestic business here in the U.S., but also the international teams are very focused on that priority and we will execute on a multi-quarter multi-year basis and we're very positive what we're seeing. Again, we'll keep updating you every quarter on how the things are evolving, but positive so far.

Operator

Our next question comes from one of Vivien Azer of Cowen.

Q - Vivien Azer {BIO 16513330 <GO>}

Hi, good morning, thank you. I was hoping you could please comment on trends for SodaStream in the quarter and in particular, how that business has responded to the recovery in away-from-home consumption in the U.S. Thank you.

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

Yes, good. Vivien, the SodaStream business is a global business, right. So, it has a very solid penetration in Europe. That business continues to thrive, I would say in Europe and also, in the U.S. we're gaining a lot of household penetration in the U.S. The latest thing we're doing and it's working quite well is putting some of our large beverage brands into the SodaStream, let's say consumption model. We studied in Europe. In the U.S., we studied with Bubly. Bubly Drops are working very, very well as an enhancer of the SodaStream experience, and we continue to push that combination of the Bubly flavors and the SodaStream sparkling water experience.

So, I would say still far from its potential, I mean the household penetration is good in some of the European market. It is low everywhere else; we continue to build that. We continue to build the direct-to-consumer model, trying to get many more insights on consumption behaviors and that is helping us not only to develop the SodaStream business, but to develop the rest of our innovation and category. So, a pretty good ecosystem we're building of a consumption at home, but also, insights and innovation for the broader business. So, we would feel good about the momentum of the business and we'll continue to -- is going to continue to be a priority for us going forward.

Operator

Our next question comes from line of Steve Powers of Deutsche Bank.

Q - Steve Powers {BIO 20734688 <GO>}

Yes. Hey, good morning. Ramon, you commented on this just they're a bit in the context of SodaStream, but if you step back, I was hoping you could expand on how you're viewing the performance of your recently acquired businesses in aggregate and where you're at in terms of integrating them into the broader portfolio relative to your plans coming into the year?

And then, Hugh in that context, I guess -- just to validate whether it's fair to assume that within the financial performances expected this year that you feel you'll be on track to remove some of the financial constraints that you imposed upon yourself this year, in terms of being able to resume elective buybacks, and/or re-enter the M&A market, looking out beyond the end of this fiscal year just to help check. That would be great. Thank you.

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

Yes, that's great. Steve, let me just go around the different M&A and give you an update. The -- obviously, we started with SodaStream. I think it's -- as you're saying is a future consumption model that we are betting on. It's great in terms of consumer personalization of the product and obviously, better for the planet. It's going very well; it is growing above out initial expectations for the business. We'll continue to invest. When it comes to -- to the U.S. several acquisitions, the CytoSport business, which, that was a muscle milk brand and Evolve brand some others, that business is really thriving.

Clearly, we see that consumers moving into a protein and sport, and that's a space that we will continue to grow. Very positive momentum with the two brands and there were some jewels in that business like Evolve and some others that we're trying to take the maximum out of those brands as you will see in the coming future. The Rockstar, I mentioned, the Rockstar was an acquisition that gave us a great business, but also an enablement for a broader strategy.

I think we're executing against those plans. I would feel very, very good about it. The other acquisition we did in the U.S. in the snack business was the Better-For-You company. The pop corners brands and some other brands that business had that is an amazing performance. And we knew that there was a space for the pop in technology and for the PopCorners brands, playing in the healthier space for snacking and a bit premium.

The truth is that we will keep adding capacity and the Frito team are really doing a fantastic work in terms of expanding the distribution and building the brand. So, we feel very good about that one. Then, when you go internationally, there were two focus acquisitions, one based in the Africa expansion Pioneer business and that is we're in the middle of the integration obviously, COVID has had an impact in the integration of that business, but we're preceding it as a horizon five type of investment.

Africa will be a source of growth for all our companies around the world in the coming decades and that's an investment with that time of a type of perspective. And the other business was the Be & Cheery business in China, which is a direct-to-consumer snack business. That complement our potato chips and corn business in China with a lot of local snacks, and then you go to market in the form of direct to consumer. That is also working very well.

We're starting to integrate, we're launching some of the Be & Cheery products into our, let's say, brick-and-mortar distribution system that we -- that's pretty good in China. And the other way around we're putting some of our brands into the Be & Cheery consumer model. So, I would say, the execution is good, the strategic intent that we had with all these acquisitions, it's working. The business case continues to be to a -- as we thought. So, good progress, I would say, in all these different acquisitions.

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

And then Steve to follow up on your questions on capital, allocation, no change at all to what I previously said regarding the M&A and no change regarding buybacks.

Operator

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

Q - Nik Modi {BIO 7351672 <GO>}

Yes, thanks. Good morning, everyone. So, the question is really, on international, if you can provide obviously, you had a pretty strong performance. The COVID situation seems a bit asymmetric -- symmetric obviously, between the U.S. and other parts of the world, but just wanted to get some context on the away-from-home, at-home, what you saw there and then some of the channel work that we've done with focus that PepsiCo has at least in beverage has been quite active in the retail trade with promotion. So, I just wanted to get some context around that with the system opportunity that you saw of kind of pushing people into away from home consumption, because -- sorry at-home consumption, because away from home was under pressure due to COVID. Thanks.

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

Yes. Nik, let me tell you a bit how the -- how we see the situation in the different markets around the world. Obviously, starting with China, China is obviously, out of COVID already for some time. And the trends are they're away-from-home business grew last year continues to grow. Our snacks business continues to do very strong the same with beverages. So, good markers in China, the rest of Asia have been more challenged. So, we're seeing, when you think about Vietnam, Thailand, Japan even Australia there'd be more challenges there, India consumers going back to a normal behavior. So that might take a little bit of time.

Obviously, Africa, Middle East, India, you guys are reading the news and also, there's a lot of still -- a lot of challenges there with running normal operations in all those markets. So, it will be a while before those markets go back to a normality. Eastern Europe very strong actually, in spite of some of the COVID challenges in Russia specifically, consumers are moving around and Eastern Europe is very strong Turkey included, where they had some latest lockdowns. So, we see those markets performing very well.

Western Europe obviously, away-from-home is improving compared to last year, but it's still you don't see the normal traffic and north-south in Europe this time of the day -- this time of the year sorry, consumers are staying in their countries or not there's not going to be the usual movement of people in Europe, north-south. So that's -- that we plan for that and we plan to execute our summer programs around that.

Latin America and I happened to be, I was in Mexico, a few weeks ago, still the pandemic is very visible, but consumers are increasing their mobility. And that, that obviously is having positive, positive impact in our small shops' performance and somehow the restaurant business, the same with Brazil. So that hopefully gives you a little bit of a picture of how the -- how the different parts of the world are behaving and the trends in our channels.

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

Yes. The only thing I'd add is broadly, the environment seems quite rationale. I mean, we're managing through this successfully and it obviously, shows up in the results, the growth numbers were quite strong pretty well around the world.

Operator

Our next question comes from line of Rob Ottenstein of Evercore.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Great. Thank you very much. Still early days and maybe premature, but love to get your thoughts on what the new normal is going to look like for the consumer channels? Any long-lasting behaviors that you're starting to pick up on that will see post-COVID? And to the extent, there are how you're changing or adapting the company to meet them? Thank you.

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

Yes, good question. Listen, we're still obviously, looking at consumer behaviors and I think consumers are also trying to figure it out at this point. We see some trends that I think we are going to stay. The most important one probably, is the shopping behavior is changing, I think e-commerce or let's call it, e-commerce in a broader sense, it's going to continue to be a preferred way of shopping something that a lot of families try during the pandemic and we're seeing those families stick in to that behavior. So that is going to be a permanent trend and obviously, we've been investing in e-commerce for quite some time, capabilities supply chain, advertising models et cetera and we're working very closely with all our customers should be well to that.

So that -- I think that's something, which is going to stay. The home as a hub is also a trend that we're seeing more, I think consumers are venturing out, but they're still doing a lot of their activities at home and we foresee a flexible working model or consumers are going to spend more time at home and they're not going to go back to the office kind of every day of the week. Obviously, certain type of people not everybody, we see that as an opportunity for our snacks and our breakfast and our food business in general, and also for our beverages business.

We see consumers in general being more concerned about what we call holistic health. So, mental health, physical health, consumers are exercising more, consumers are more making more balances between their food choices, which for us, generates a couple of important trends. A portion control we're seeing that as a strategy, consumers are following and that's giving us a huge growth in our variety packs and multi packs, and that it's a trend that we're capturing. I think we'll continue. The other one is consumers move into a healthier spaces in our categories.

Clearly, non-sugar is growing very fast. I think we're very well positioned from the R&D point of view and the innovation point of view on non-sugar, and the same with for more permissible snacks where we in the last few years, we've been between acquisitions and on development. We have a very good portfolio that is gaining share in that particular space. Those are some of the trends that we're seeing. Obviously, consumers will continue to evolve. But obviously, we're following very close, what's happening across different parts of the world and adapting very fast our brands and our innovation, our channel resources to that, to those new trends.

Operator

And we have time for one more question. Our final question will come from the line of Chris Carey of Wells Fargo Securities.

Q - Christopher Carey {BIO 21810941 <GO>}

Hi, thank you for the question. So, you just noted on trying to consume healthier products and in your prepared remarks, you also talked about continuing to invest behind zero sugar both on the carbonated and non-carbonated side. I wonder if you could maybe, just help label in here on how the portfolio is performing and how you see it positioned and where you think the investments will go both on a product and geographic basis. I mean obviously, in the U.S. Diet Mountain Dew is losing some share maybe, Diet Pepsi got flat, but not gaining; but still relatively small, Bubly doing quite well. And so just any perspective on how important or the go for trends, that you see in this business and where you really expect to focus in the near, medium and longer-term? Thank you.

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

Yes, happy to. Listen, I think, the -- obviously, consumers are moving, I think and it's going to be a long-term trend into healthier choices in beverages and in snacks, right. And so we've been working on this for a long time in our R&D, and I think we're getting very good at providing the consumers with very good taste experiences and functional experiences with zero sugar. And that is a great capability we have in the system. We have great examples of that if you only think about, for example, Gatorade Zero, right. I mean, this is a massive innovation, it's over a $1 billion innovation. We only for -- I would say 20 months or something like that in the marketplace. So, we're able to provide functionality, good taste at a zero sugar even in spaces like Gatorade. Clearly, for more refreshing experiences or more indulgent experiences, I think the Pepsi Zero solution or the Mountain Dew Zero solutions, those are extremely great tasting products that are getting a lot of consumer favor.

If you think about our European business for example. The equivalent of Pepsi Zero, which is Pepsi Max in Europe is -- it is leader in many of the European brand -- European markets it has -- we have a much higher share in the non-sugar category than we have in the sugar category, and I think that's where we've been investing for a long time. We'll continue to invest. We see that trend not stopping for the foreseeable future and it's where we are putting our R&D investments, our brand investments and our innovation investments.

Okay. I think we run out of time. So, thank you very much everybody for joining us today and for the confidence you've placed in the PepsiCo, and in us with your investments. So, we hope that you all stay healthy and safe. Thank you very much and talk to you again.

Operator

Thank you, ladies and gentlemen. This does conclude today's call. You may now disconnect.