KDP – Running Notes:

Keurig Kold – May 14, 2015, Investor Event:

* Installed based of appliances x daily single serve packs per appliance -> volume, revenue, profit
* 21k Hot at home brewers installed in 04, then 1.9M in 09, then 20M in 14
* Brands are built different in hot, top 5 coffee brands category share is much lower in Keurig System brewed than in Roast and Ground Coffee (good reason to get in on the action if you’re Tim Hortons or someone else who isn’t super massive)

Keurig Investor Presentation 2013

* The merger in 2006 was between Green Mountain Coffee, socially responsible premium coffee and Keurig
* 20B packs sold, 30M Keurig brewers sold, 81% brand awareness, 60% repeat rates
* Keurig Brewed Products top 10 trial and repeat rates, % of buyers repeating, GMC had 61%, Starbucks at 57%, Caribou Coffee at 50%
* They say total shipments of US Keurig Brewer Installed Base is at 30m, Inventory is 4-5%, Returns are at 9-11%
* Number of brewers sold at retail, 25M, Estimated not in use 26-32%, at home brewers used in non home locations 3-4%, total active brewers 16M, total number of US HHs using a Keurig Brewer is 15M, 13% of US HHs
* They have attachment rate at 1.3-1.5 pods per day for home, 2-15 for small offices, 0.4-0.78 for hotel
* Modeling of attachment rate is complex
  + Attachment rate estimates are not always reliable
  + Multiple brewers per household impact estimate
* They have Northeast HH penetration at 19%, south at 12%, Midwest at 10%, 9% for West
* Boston and Philly have highest percentages of HH using Keurig
* In this presentation they have a whole section about international expansion 12 countries picked out they wanted to be in them by 2014
* They promoted their CPBs partnership

Green Mountain Older Research, 2012 Annual Report:

* Our portfolio now includes 25 owned and non-owned brands sold in our K-Cup brand packs through more than 36k locations
* 13% of all offices in the US has a Keurig brewer, 188k hotel rooms have a brewer, driving an estimated 25M annual demonstrations and trails
* Keurig.com used to rank 10th out of one hundred websites according to ForSee, placing it among well known consumers staples such as Amazon, QVC and LLBean
* Our goal is a brewer on every counter, unaided awareness of the Keurig brand rose from 24% to 42% between Oct 10 and Oct 11
* The K-Cup packages have a sealed, low oxygen environment to help maintain freshness
* They have/had a patent on the manufacturing line for the pods, and also for the speed, temperature and pressure of the water gauges in the brewers
* Different business segments
  + SCBU - specialty coffee business unit, produces and sells coffee to be prepared hot or cold, in K Cup packs or in more traditional packaging , sold to supermarkets, convenience stores, restaurant distributors, etc
  + Keurig Business Unit (KBU) – for at home and away from home,
  + CBU, Canadian business unit
* These guys used to be growing at like 50-100% revenue YoY
* Patent litigation settlement was a large negative line item in 2009
  + On Oct 23, 2008 Keurig entered into a Settlement and License Agreement with Kraft Foods providing for a complete settlement of Keurig’s previously filed lawsuit against Kraft, Keurig grants to Kraft and its affiliates a limited, non-exclusive, perpetual, worldwide, fully paid up license of certain Keurig patents

Green Mountain 2008 Annual Report:

* Razor / Razor Blade Model
* “Ultimately, our growth potential is driven by the number of brewers, the number of K-Cup portion packs consumed per day per brewer, and the royalty made on each K-Cup, the robust growth rate of Keurig Brewer sales, up 105% over FY 07 contributes meaningfully to our enterprise sales growth and leads to continued strong sales of K-Cups to support the installed based of brewers” – this basically directly contradicts the modern approach from Bob that we ought to not pay direct attention to the number of brewers that are being sold and that that’s lumpy and not important
* “less than 6% of the 90 million US coffee consuming HHs are active users of single- cup brewers”
* Single cup brewing represents roughly 12% of office coffee locations serviced by distributors – why did they give up talking about at office coffee
* “ a project team is actively working to develop alternative materials for K-Cup packaging”

Green Mountain 2011 Annual Report:

* In-room opportunity, we have over 125k hotel rooms, driving 12 million brewer demonstrations each year
* They want to target small offices with their brewers – very explicit about this

[2022, Investor Annual Report:](https://app.quotemedia.com/data/downloadFiling?webmasterId=101533&ref=317442434&type=PDF&symbol=KDP&cdn=0a5eec748b2dfe39e8ef4d1fa8cfc07e&companyName=Keurig+Dr+Pepper+Inc.&formType=ARS&dateFiled=2023-04-28)

* An investment in KDP at the time of the July 2018 merger delivered a total shareholder return of 96% through 22, more than double return for both the SP500 and the SP500 Consumer Staples indices over the same period

YouTube Research:

Keurig vs. Nespresso, [Rose Baby:](https://www.youtube.com/watch?v=3Lliz7vNAtI)

* You have to use Nespresso branded pods for Nespresso pods, they sell the Starbucks branded pods, they have them at Target so you don’t have to buy them online
* Keurig has 100s of different options to chose from at 60 plus brands, you can get tea, hot cocoa, lemonade and things like this
* Nespresso pods closer to a full dollar
* Keurig is a lot cheaper around 0.35-0.65 per pod, you can use adapter to buy coffee in bulk and put it in reusable
* K-Cups for the longest time were not recyclable
* This woman has a super nice kitchen and nice sweater on, she bought the $200 version of both machines and said she was going to donate one of them
* You need to remove the coffee from the pod yourself to recycle for KCups (seems unlikely that anyone would do it)
* Nespresso you can mail back your capsules, they give you it prepaid, or you can drop them off at any Nespresso store
* Nespresso has the foam when Keurig doesn’t, the Nespresso machine reads the time and temperature that they should use for the capsule, the Crema on the top of the cup enhances the aroma, taste, and experience
* Both machines need “descaling” once every three months, Nespresso has a self cleaning feature, Keurig doesn’t have the self cleaning
* Customer support – good on both ends, she got a new machine free of charge
* Nespresso is much more sleek, Keurig is more big and clunkier, milk frothier built into it
* She has Nespresso has the big winner, easier to recycle the capsule, she fills up the bag and drops it off at UPS, quality of coffee is much higher, once you try Nespresso you don’t go back to Keurig

30 August 2023: Meeting with Jean to Discuss KDP:

* She basically wanted me to redo my TAM analysis such that it might be directly applicable to my modeling

Smuckers Website:

* They also sell pet food…
* They own folgers and café bustelo brands, grew more than any other brand in the at-home coffee category over the past year
* They divested some pet food rband which let to an 18% hit in the net sales guidance …
* US retail coffee is 32% of their net sales
* 47% is maintstream rost and ground, 15% is premium, 7% is instant,30% is K-Cup
* They have four retail coffee properties in New Orleans LA
* 34% of their sales went to WMT in 2023
* Net retail coffee sales were up 10%, margins down a ton from 29.5% to 27%
* “net price realization contributed a 19pp increase to net sale,s primarily reflecting list price increases across the portfolio, paritally offset by increased trade spend, unfavorable volume/mix decreased net sales by 9pp driven by mainstreanm and premium coffee, segement profit was comparable to the prior year as a favorable net impact of higher net price realize and increasd commodity manufacturing costs was mostly offset by the unfavorable volume/mix”

Nestle Website:

* Vertuo Pop, new compact machine, home compostable coffee capsules in France in June
* Nestle moved the first page of their half-year results to be cat food, Prunia fancyfeast seafood
* GM was up 110 bps vs second half of 22
* Marketing investment was up 50bps vs second half of 22
* Organic sales guidance is in range of 7-8
* They had better growth in the EM, didn’t lose any RIG (assume this means volume)
* In North America, 10.0% Organic, -1.0 volume
* Nespresso say 4.5% organic growth, /8% real internal growth, volume, underlying TOP margin was 21.7%, down 260bps from last year
* Organic growth was driven by pricing with a return to positive RIG
* Vertuo, strong demand in out-of-home channels and innovation supported growth
* North America posted double-digit growth, Europe reported slightly positive growth
* Margin -260bps impacted by coffee cost inflation and appreciation of the CHF

28 July 2023 JPM Note, Green Shoots for Green Mountain, Climbing the Wall of Worry:

* US coffee business is about 30% of sales
* Positive shipments may be out of reach through ’23, exiting low-margin private label business, and lapping shipping ahead of consumption
* Isn’t this a bit of the conglomerate discount phenomena going on?
* “stronger growth in untracked channels”
* Management sounded confident once again in ability to drive 2M incremental HH penetration in ’23
* US Refreshment Beverages outpacing KO and PEP
* Overall they are a buy

27 July 2023, KDP Earnings Note:

* Soft drinks seems to be doing fine, coffee is a drag

28 July 2023, RBC EPS Aftermath:

* “we have increased confidence that the worst of KDP’s coffee issues are behind them with coffee consumption improving QTF and margins set to improve and see continued momentum in beverages”

27 July 2023, DB, Inflection Ahead, But of What Size?

* On one hand, we get it, extremely strong growth in drinks
* On the other, US coffee trends should have now bottomed, but recovery may not exactly be robust

15 August 2023, UBS Global Research and Evidence Lab, An Earnings Inflection is Brewing; upgrade to Buy

* They use a bunch of fun data to say that MSD organic growth is achievable, coffee is turning around
* Nielsen data says that CSDs regular is 60% of their drinks portfolio, should be slowing down…
* They have three key questions
  + Can coffee return to growth looking ahead
  + As pricing benefits fade, can US refreshment beverages still see growth?
  + Can partner brands become a bigger driver of growth?
* There is a substantial number of households that can be converted to the KDP system

**KDP Earnings Calls:**

Q2FY2023:

* Gamgort and Priyadarshi CEO and CFO
* Net sales advanced more than 6%, supported by net price realization, modest category elasticities, and good share performance cross much of our portfolio
* For the first time since Q3Fy21, GM expanded as they struck a balance between pricing, inflation, and productivity
* Gross profit dollar growth funded marketing increases across all segments and helped to offset continued cost pressures in transportation, warehousing and labor
* We are in the early stages of a margin recovery that we expect to become more visible in the back half
* Customer service levels are now much better than during the pandemic
* His three key tenants: (1) at home coffee category momentum would begin to recover in the back half as mobility comparisons ease, (2) approximately 2 M new HH added to ecosystem by brewer and pod innovation and the addition of new brands, (3) that segment operating margins would improve meaningfully in the back half, supported by a better balance between pricing, inflation, and productivity
* We believe time spent at home is the single largest variable driving at-home coffee consumption
* Partnered with La Colombe
* Building a super premium platform as La Colombe joined other recently added brands like Intelligentsia, BLK and Philz
* Commodity cost pressures in green coffee and
* Contribution from C4 energy
* 2022 benefited from several non-operation items, we expect to reduce the use of these items by approximately 50% in 23, our Eps growth is not projected to be in the double digits interest expense in the 470-475M range, effective tax rate of 22%, and 1.41B diluted weighted average shares outstanding
* Please read our corporate responsibility report
* “if over time that improves, then we’ll get the benefit from that on our away-from-home coffee business. But that’s not something that we’re banking on. It’s really been an at-home coffee consumption story, driven by changes in mobility”
* We have about 80% of the share of pods going through their system – patent rules here?
* Exiting some of the lowest margin private-label contracts and taking some additional pricing on our owned license
* Difficult economic environments -> more practical gift giving -> more coffee machines
* Targeting 2MM new HHs
* For soda, “gaining share in a growing category” “pricing and productivity have been catching up to inflation” “consumer resilience allowed the category to withstand all the pricing that was required to offset inflation”
* “I know you guys are a bit more oriented towards IRI, but in the Nielsen data you can see that owned and licensed have been losing share”
* We haven’t seen any destocking on pods in retail and we don’t expect to see anything of that nature

Q1FY2023:

* Very successful launch of Dr Pepper Strawberries and Cream, DrP recorded the largest market share gaine in the CSD category this quarter
* “we have supplemented 2022 carryover pricing with some additional pricing actions to start the year”
* US single serve adoption remains significantly below that in more developed single serve markets in Western Europe and even Canada, we target adding approximately 2 million new HH annually
* Pleased to announce today that they partnered with Philz, they are launching iced coffee pods
* Kicking off 2023, we made the decision to realign our segment reporting, to more closely reflect how we plan, run and evaluate these business internally
* “simply put, we are in the business of selling pods, not brewers”
* We are introducing two additional disclosure, trailing 12-months brewers sold and associated growth rates
* “inflation remains the headwind in US coffee”
* “we on’t see brewer sales as a good predictor of HH penetration, and our primary focus is driving HH penetration, and just so we’re clear, we sia that in quarters where brewers were plus 60% or plus 35%”
* There is an inherent volatility in selling small appliances that is fundamentally different than selling consumables
* “we sell 10 million brewers per year and we add 2 million HH” – where are they getting these 2 million HHs from? Who still doesn’t know about Keurig
* “biggest driver of consumption of coffee at home, is time spent at home, it’s that simple”
* Working capital was a pretty negative swing in the first quarter , last year we had a lot of one off items, some timing of supply chain financing, we call it factoring – this was great in the beginning when interest rate was low, we have a lot of options for our cash
* Target leverage is 2x to 2.5x
* “we’ve added 2 m HH in all of those years and that’s the point we’re trying to make”
* Dr Pepper volume goes through Coke and Pepsi as well as on our own trucks
* “Spartanburg facility as deferred productivity still to come…”
* **They defo have the data about reordering rates and they’re not sharing it with investors, they claim that they need people to be spending time at home and also adding 2MM HH to the ecosystem every year – they don’t really get that many questions about the beverage side of the house even thou that brings in more money…**

Q4FY22 Earnings Call:

* Gamgort and Priaydarshi are CEO and CFO
* They’ve had two public events during the quarter…
* “as we approach the end of the year and enter 2023, we became more focused on the potential impact of recession on our consumers, despite seeing minimal evidence of changing behavior to date”
* “we don’t buy on a spot basis and the underlying commodity cost doesn’t reflect the total delivered cost to us”
* What are these non operational items that they’re spending so much time talking about …?
* Iced and Intellgistina and Philz, maybe they are afraid that mix is moving against them…? Why did they wait until now to pursue those partnerships, maybe Philz wants it now, willing to dilute their brand in a recessionary/inflationary environment, no way that K Cups are seen as super premium
* “KDP’s owned and licensed brands demonstrated relative strength in 22 despite having among the highest price increases in the single serve segment with the fourth quarter representing its highest share position since before COVID”
* Three reasons people buy brewers, it’s a new HH it’s a replacement or its an upgrade
* They don’t tell you where they’re going to put their marketing dollars and they don’t have a top down target, they’re going to wait and see different brand’s performance and elasticity during the year and then make the decision of which brands to invest in
* It takes six to nine months to see the price, but you will see that in the second half … you will see the GM improvement more as you see the benefit of commodity deflation --- well not deflation, but moderating inflation on commodity
* If you look at the first part of COVID, you would see an acceleration in the attach rates
* Is coffee an elastic good? They say global coffee is down b/c people are out and about now and also because pricing is going up and up
* Maria invites people to call her at the end of it “we’d love to connect with you afterwards if you have any questions”, seems almost like they’re trying to be aggressively friendly and pro investors, we have a sticky consumer base, we’re in the business of selling pods, all the focus goes to pods, they try to actively play down the importance of machines and say that they don’t lead or lag at all…. Confused why they don’t release attachment rate stats or drop out stats more frequently then….

Q3FY21:

* “given the strength of our brands driven by increased investment in innovation and marketing, we have been successful in limiting the elasticity impact of the pricing to date”
* “we will provide a final 21 HH penetration number when we report our Q4 earnings”
* Easy peel lids to our recyclable K-=Cup pods in order to make the recycling process simpler for consumers … who the fuck wants this?
* Impressive that you guys have taken your top line sales growth guidance up again …
* Elasticities are not what they have historically been in packaged beverages, how will this evolve over the next 6 quarters?
* Pepsi is moving into Hard Mountain Dew – alcohol is “an area we continue to study, we participate in alcohol in a variety of ways that I think was surprising the people we talked about, the business we have in Canada where the distribution environment is very different, the fact that we do licensing in the alcohol space and we think our brands can play in alcohol nicely”
* “I’m glad to see that you’re starting to move pricing higher on the pod side for the owned and licensed brands, but first of, do you expect where are you seeing the partner brands following on price at retail?”
* Analysts and investors didn’t love the cutting of K-Pod cups, they’re always trying to grow penetration and total HHs, they were able to expand margin as price came down (this isn’t a story which is readily visible in the data …)
* “our objective is margin protection, our levers to pull are a combination of pricing, productivity, and reinvestment, and we have different mechanisms and different contracts to be able to protect margin against that using the entire basket, and in the case of coffee, which has been the most inflationary item within that,”
* “you’re looking at our 22 guidance, which was our initial guidance that we were in a position to I think really felt obligated to provide some guidance in October, 4 to 5 months in advance of when we normally would”
* “we’re only passing on the coffee costs because they’re excessively high”
* “we have a significant amount of productivity and mechanisms to take more pricing if we choose going forward”
* “you can’t focus on one metric because if you do, you run the risk of damaging the long-term growth of the system and you could see that if anything we’re accelerating the growth of the system, which really drives everything” (in response to Morgan Stanley question about raising prices)
* “we’re really excited about being able to use our high levels of discretionary FCF to look beyond debt reduction as we’re just about to reach our long-term leverage targets and we talked about the capacity to 20B worth of M&A”
* “the IR team is around all day, so if you have any questions, feel free to reach out to us, we’re here”
* Surprising that we haven’t seen more M&A activity from them, I don’t think we’ve seen anything at all…?

Q2FY21:

* “mobility remains challenged in offices”
* “we rely on a combination of productivity, cost controls, pricing and various other revenue growth management strategies, pulling the right levers at the right time to protect the long-term health of our business. In terms of price, we have already announced increases in both our core beverage and owned and licensed coffee portfolio”
* “back half of 20 brewer shipments benefited from government stimulus during COVID sheltering”
* “we heard some concern that the elevated brewer growth and incremental households we were adding in 20 represented a pull forward from 21, given the continued strength of brewers, which are now expected to be up 10%, pull forward did not occur and momentum continues”
* “pulled back on marketing spend quite a bit particularly in the CSD business and yet posted these tremendous market share gains, not just the sales growth, would you say you’re kind of back to 19els of spend in the CSD businesses- we’ve been more efficient in our marketing, we’re better at more precise targeting”
  + “we have a significant number of tools and metrics available to us today that weren’t available even a couple of years ago so the efficiency of our spend continues to increase” – is there a way to model / get at this? What are they talking about better data sets etc?
* **“attach rate” – current usage per machine**
* This quarter a year ago, we saw a peak level of attachment rate as people were really in lockdown model, this would revert back to the long-term average over time (maybe try to back out an attach rate…?)
* “coffee is a lower percentage of our cost structure compared to if we were just a traditional roast and ground player” – who is he talking about here…?

Q1FY21:

* Ozan and Robert are CFO and CEO, stock was up 16.5% from announcement of Q4 to EOD announcement of Q1
* Vaccine rates are at 50%, high levels of consumer mobility are evident in retail
* They have 27,000 employees
* Increasing their inflationary outlook in line with other CPG companies, price expectations continue to rise for aluminum, glass, corn inputs and polypropylene (the material used in K-Cup pods)
* We have been required to purchase spot capacity for transportation and logistics to satisfy the strong demand for our products, some of these input costs, for example transportation and polypropylene cannot be hedged
* Brewer shipment strength of 61% fueled by consumer consumption and the benefit of shipment timing
* “as indicated in our release this morning, we plan to reinvest any earnings upside above our guidance range back int the business to drive future growth”
* Dividend rate did increase 25%
* While we do not provide quarterly guidance, given the comparison to an unusually volatile quarter 2 2020, let me provide some additional perspective … we expect to deliver double-digit adjusted diluted EPS growth for the quarter, although it will be below the full year guidance range of 13-15
* During the pandemic, we saw and increase in attachment rate, especially in the early days, that was very different than the long-term trend we had experienced, recent attachment rates are stable – they make a point of saying that they told people that attachment rates were going to go back down
* He claims that during the pandemic the attach rate got really high and that it is going to have to come down, doesn’t look like from the data I was taking a look at that it changed all too much
* What does it mean to have the growth rate of brewers be driven by changes in shipment timing?
* Polypropylene is not really hedge able in terms of it not being a regulated market
* In the early days of the pandemic, marketing spending wasn’t very efficient

Q4FY20:

* Ozan and Robert are CFO and CEO
* 3MM HHs are entering the system
* 10% HH growth nicely about the longer term pre pandemic trend of about 7% growth per year
* WFH supports them
* Coffee attachment rates have been very steady for years, in the past we’ve talked about the best proxy for HH penetration growth is actually pod volume growth because the attachment rate is so stable, in the early part of the shelter in place, we saw an increase in attachment rates
* Spartanburg facility, 100% on track in terms of continuing month-in month-out ramping of the facility, we expect to further lower our cost of production in the pods
* Increased the dividend, payout ratio is still below 50% which is well below just about anyone else in this space, it doesn’t change our outlook at all on our ability to participate in M&A
* Brewer growth is not a great predictor of HH penetration, there is a correlation between the two not necessarily year in and year out, 2-3M HH added per year, we don’t believe that’s a pull forward from ’21
* Increased HHs from 21M to 33M, an increase of about 9% per year
* There’s still another 60 million HH that ultimately should be converted from brewing coffee by the pot to brewing it by the cup, Keurig obviously has the lion’s share of that, we’ve got years and years of runway ahead of us at the growth rate that we’re at
* “we have no idea how many people are going to upgrade, that’s something that we can’t predict”
* More challenging to ship liquids than it is to ship pods
* Keurig pods are high value, lightweight, long shelf life, and don’t damage
* Good margins here don’t worry about it basically
* We have an objective to increase our marketing as a percentage of sales over time
* “we don’t discuss what our specific outlook is for pricing in a given year, but we’re we have our eye on inflation as does everyone” “we will be able to recover inflation through a combination of productivity and pricing
* We make equity investments like we did with Don’t Quit and A Shock and we can acquire things outright as we did with CORE
* BODYARMOR, if and when that business is sold, then we would receive payment just like any other investor would receive payment at that time, we don’t know anything more than what’s been publicly report to date

Q3FY20:

* Ozan and Robert CFO and CEO
* “brewer shipments, especially quarter to quarter are a great measurement of what’s going on with household penetration” – Robert (this doesn’t directly contradict everything he’s been saying….)
* Agreement announced yesterday with Honickman, will drive significant value creation for KDP over time, selling these rights to a third party funded by Prudential Capital, KDP entered into a simultaneous transaction with the third party to gain long term access to the rights, we could have done a straight up acquisition, instead we chose to0 use a third party and pay a small annual fee, control of our brands for which we can maximize economics
* Spartanburg pod production facility has been delayed approximately six months form equipment supplier delays, and our new cold beverages production facility in Allentown is also delayed about three months for similar reasons – we have always expected both of these facilities to primarily be contributions to our business by 21
* “it’s not like we’re an 100% at home business, far form it” – negative impacts on our fountain and foodservice business, negative impacts on our away from home business
* Keurig system was designed for at home consumption, year in and year out we don’t worry about attachment rate, all we’re focused on is HH penetration
* “operating off an install base of 30M HH in the US and 3M in Canda”
* “anybody who ever thought about getting a brewer now owns one because they’ve been working from home or staying at home, if they’ve even dcosnidered it they bought it …. Isn’t this a big pull forward” – “when we took KGM investors private, we had some dinners and some meetings, the HH penetration at that point was around 15%, the exact same question we got at 15% and people were using the words like saturation and we have indication of HH penetration to be north of 50%, there is no sign of slowing down” – doesn’t everyone already know about Keurig? We have a lot of work to do in terms of marketing, innovation, price points, features, improving sustainability
* The number one reason why somebody moves to a Keurig is that their coffee maker breaks and it just takes time …?
* People are moving to more premium brands during the pandemic

Q2FY20:

* Ozan and Robert (really good continuity much better than CPBs tbh)
* They launched Keurig.com 16 years ago
* Polar seltzer is the third largest branded flavored sparkling water in the US despite being available in less than 35% of the country
* New brewers are being priced from $139-$189
* New brewers for kitchen style and aesthetics (this is kinda the same claim that the LOGI CEO made) – this is kinda a really ugly product and screams beach themed bathroom in a white families house
* KD custom smart can recognize the brand, variety and roast or any brand made by Keurig and brew to he specification of its master roaster to bring out the full flavor – this seems over the top and it’s unlikely that anyone would want to do this …
* In the same call they’re talking about selling McDonalds branded coffee --- who is this to appeal to? Why would you buy McDonalds branded coffee pods instead of just like the cheapest possible ?
* Bonnie Herzog from GS always gets the first question …
* She’s asking right away about the possible pullback in demand when people go back to their pre COVID routines
* “I know we don’t talk about attachment rate anymore, but certainly the attachment rate is going to a new higher level” – we have good insight into this internally because we have this HH panel of 10,000 home where we can see minute by minute consumption and we’ve been able to track the attachment rate change from the very beginning of the crisis, we haven’t talked about attachment rate in the past, because as we said, we you guys have tried to model that, it's really steady – so the whole game is really about HH penetration, and we’ve also said that volume growth in the category is a good proxy for HH penetration because attachment rate is even, we’re getting two benefits right now, people coming into the system – drop out rate from the system is very low
* They will probably have to continue to lower the price on all of the pods – difficult to see how long they can do this for but if they have GM at such good levels them maybe for a while …? Where would this show up? – Nespressos GMs aren’t public, you can see Nestle’s GMs but that is for the entire consolidated company which isn’t super useful …
* Make sure to compare Operating Margins between Nespresso which they do give and the KDP
* M&A going to be a bigger part of the story as we look out to next year
* Shift in consumer preferences towards healthier but also just less flavor, less sweetness in general

Q1FY20:

* Ozan and Robert CFO and CEO
* They made their own hand sanitizer and masks and provided enhanced incentives to our front line and increased benefits to all employees
* Interesting that they only ever talk about the public data that everyone has Nielsen and IRI and none of their own in house stuff
* They ended the quarter with almost 200M of unrestricted cash on hand, they adjusted EBITDA to include permanent one time amortization expenses
* They restructured their debt at the start of the month, probably makes sense given that the interest rate environment would have been collapsing at the time, credit spreads would have been widening though…
* “we are prioritizing profitable business over chasing unprofitable volume growth in order to protect profits, while this may seem obvious, it takes discipline and staying close to retailers and the consumer to understand what products to emphasize and which ones are not critical in the environment we’re in”
* Bonnie didn’t go first this time, it was Bryan Spillane
* We are seeing an uptick in consumption per machine, that’s something we haven’t seen in a long time, we have that connected brewer network balancing internet connected brewers that allow us to be on our … happening and it was really striking to see that tick up happened in the first couple of days
* We’re getting growth off of the exiting machines because of that behavior … what happens in the future when all of this normalizes, a lot of indication that… there’s a lot of noise in our ability to read what’s going on with HH penetration … search terms for Keurig in particular being elevated … more and more brewers being purchased online
* He’s trying to say that coffee isn’t just being stocked up but the level of consumption is being elevated, if there is a recession coming, more consumption will move home, “people have discovered how easy it is to make coffee at home and that’s part of what’s driving the pricing trend that we talked about”
* “you can get a high quality pod for around $0.30” people trading down their business will benefit
* “what percentage of the business in coffee is away from home?” – “we never have disclosed that and we’re not planning to” – 50% of the business on the coffee side is in unmeasured channels and that includes e-commerce specialty but also includes away from home coffee, our share in that channel is significantly lower than our share in the in-home channel, office coffee is a very fragmented business
* “when you look at consumer behavior during a recession, the first trade-off they make is out of home food and beverage to in-home food and beverage”
* ”we have machines that sell for $50”

Q4FY2019 (First PreCOVID Quarter):

* Ozan and Robert (CFO and CEO)
* [2 press releases this AM](https://news.keurigdrpepper.com/2020-02-27-Keurig-Dr-Pepper-and-Nestle-USA-Announce-Long-term-Partnership-for-Starbucks-K-Cup-Pods-in-North-America), we entered into a long-term strategic agreement with Nestle USA to continue manufacturing Starbucks branded packaged coffee K Cups in US and Canada, second was for earnings and guidance
* They launched a Brew the Love campaign with James Corden, lots of ads on FB for this
* Consolidation of warehouses between the two legacy companies, integration into one sales organization
* “we do expect new sales growth to be tempered in the first half, due to investments we are making in productivity and synergies”
* We expect inflation to be the highest in the first half of the year
* There is no demand side impact to their business with supply chain disruption in China, FCF was at an impressive 2.4B for ’19
* FCF conversion ratio to NI was 140%
* Going to go into mini cans and other places where there is a potential to drive revenue but also profit growth
* There is some HH penetration of mid 60% in Europe, he doesn’t really say where he thinks the upper bound is, he talks about expanding GM at the same time as adding more HHs, shipments, etc., cites NPD data and IRI data, but says that they don’t tell the whole story
* You wanted to get pod pricing to about $0.50, in tracked channels it ended the year at 0.49 for FY 19, consumers think it is a bargain at 0.30, is it possible w the SC plant to get to a $0.30 / pod pricing
* “I know you all are busy today, but the IR team is around to take your question, so feel free to give myself or Steve a call and we’ll talk to you later! Thanks!”

Q3FY2019:

* Ozan and Robert (CFO and CEO)
* Goals of the merger, grow revenue by 2-3%, operating income 11-12% and EPS by 15-17%
* Fueled by 600M of synergies and FCF conversion in excess of 100% to enable rapid deleveraging to below 3x
* US McCafe agreement to come online in the second half of 20, takes a while …
* Partially offsetting the growth in volume this quarter was lower pod mix, reflecting the mix impact of higher shipments to branded partners for whom ewe only record a tolling fee
* “we continue to feature James Corden as our brand ambassador”
* Beverage concentrates has an operating margin of 67.8% wow
* They talk about the waterfall they built on Investor Day, and how there are maybe 60M HHs that could still be converted, trying to figure out why people who theoretically should be in a single-serve coffee system weren’t, and then redesigned our brewers and our marketing plans to go after them
* They’ll have a recyclable pod by the end of 20
* All of our partners who have had contracts “when they expire nearly all of them at this point in time as the contracts have expired have extended for longer periods of time than they ever have before”

Q2FY19:

* Ozan and Robert (CFO and CEO)
* IRI data is understating the total consumption growth rates b/c it doesn’t track ecommerce as closely and that’s where the fastest growth is happening
* Dr Pepper used to be a very regional brand and is now a very national brand
* Discussion of CBD drinks, they have to be legal, safe, and effective all of these are either a no or a question mark at this point in time
* “we’re not going to be on the bleeding edge of something that is frowned upon by the government and unsure from a consumer safety standpoint”
* His tone is rather sharp this call
* “brewer sales is not a meaningful metric!” he loves this claim
* “the IR team is around today for any additional follow ups”
* College football is good for them for Dr Pepper
* They launched the K-Duo during Amazon Prime Day, record breaking day for them, you can brew one single cup and also an entire pot

Q1FY19:

* Ozan and Robert (CFO and CEO) really long tenure from these guys
* New partnership with Tim Horton’s in Canada, how has this business been in Canada for years and not already had a partnership with them?
* The timing of shipments of brewers does not match consumption well on a quarterly basis
* They love to talk about that Investor Day presentation of the total addressable number of HHs they could hit
* “the coffee business seems to be a centrally managed operation, could you talk about how you see running the ready to drink beverage business going forward, whether that business is managed more locally or regionally vs centralized?”
* They talk about Nespresso shockingly little as I presume that’s the only alternative to their business, they don’t operate in Europe either even though the market is enormous and they have literally massive margins presumably in Nespresso
* Bonnie is asking if they’re going to try to drive small package sizes to get pricing up and better topline
* He is talking about the Nielsen and IRI numbers “it looks like our pricing actually went up fairly significantly vs the 4tgh quarter, up 7.5%, related to timing and strategy, I can even pinpoint it down to certain pack sizes in certain geographies where you have a very significant increases in YoY pricing that’s 100% due to change in some tactics and timing around promotions”
* “there’s a lot of noise made about growth in private label, that’s fine, it’s an entry point that gets them into the ecosystem” – I’m not sure if this is true, wouldn’t the entry point be that you got this as a gift, your old coffee maker broke, going back to school, starting a new job, something like that

Q4FY2018:

* Ozan and Robert (CFO and CEO)
* They got a cash distribution from BODYARMOUR
* Oversubscribed syndication that reduced the pricing on our outstanding term loan balance of 2B by about 30bps, support that we continue to receive from our banking partners speaks to the confidence our lenders placed in KDP
* “I know that KDP manufactured pod performance is challenging using the existing syndicated reporting.. I’m pleased to share that in addition to their regular reporting, IRI has developed a KDP manufactured sales trends report for single-serve coffee that encompasses all of the K-Cups pods manufactured by KDP whether owned, licensed, partner or private label” this new report will be available directly from IRI beginning in March
* They talk about their March 2017 investor day presentation as well as the follow up Analyst Meeting they had
* Four metrics that matter
  + HH penetration of the system
  + High volume growth
  + KDP manufactured pod share
  + Coffee systems profitability
* Every single one of those metrics is going in a right direction in a significant way, HH penetration is up 7% in the past year to 22% of HHs, there are now 28M HH in the US that are using a Keurig brewer on a regular basis, there are still another 67M HH left to target, 7% growth rate is great
* He claims that brewers are getting better, star ratings on websites are going up for them, everyone is holding onto their brewer for longer and therefore shipments are dropping
* “almost every American says it’s no longer expensive at $0.30”
* We produce the majority of private label pods out there, as they said before 82% of the dollar going through the Keurig system are manufactured by us and that’s up a point vs a year ago … the difference in margin between the private label and partner brand has narrowed significantly… we’re fairly indifferent to mix within that, all we care about is do we manufacture the pod?
* On the cold beverage side, there’s still a significant amount of whitespace in our portfolio, we filled in that whitespace through a combination of acquisitions like CORE, new partnerships with Evian and Peet’s and organic development of our brands
* With the two companies put together, one of the synergies that you create is more purchasing power on media, we’ve got a significant increase in scale and capabilities on our media side now, what that means is that you’re able to get the same reach and quality at a lower cost – might be interesting to look into how ad pricing is set up at a place like GOOGL
* We have metrics like return rates and warranty claims, those are “hard numbers” we’ve seen improvement in those numbers, “we have a HH panel that’s statistically significant, it’s about 12k-15k connected brewers out there, and we provide that data to our partners” – if you’re in the Keurig system, you get exclusive access to this, it literally captures point of consumption data meaning when somebody brews a cup in this panel, we know what they brewed, what brand, what size, what strength – what is the incentive to set up your brewer with Wi-Fi?
* “as always, we’re around”

Q3FY2018:

* Ozan and Robert are still the CFO and CEO
* Merger was announced in January, successfully transitioned the two companies into one
* Announced the new leadership team in June, implemented new decision and governance processes soon thereafter
* They plug James Corden as their brand ambassador again
* Since the closing of the merger, they acquired Big Red and agreed to acquire CORE Hydration
* In the first 84 days since merger close, we already repaid 550M in debt
* “we grew share of manufactured pods or those pods manufactured by KDP and therefore our consumption the quarter on pods was plus 9%”
* On a 52-week basis, the average it was 0.51, in the past 12 weeks it’s 0.50
* The IR lady Maria was answering investors questions during this call
* They say that pod shipment was up 3% but consumption shipment was up 9%... not so sure about this, they must get this information from their HH panel data, where they’re having a lot of HHs drop off

Q2FY2018:

* Larry Young and Martin el