The Kraft Heinz Company

Q4 2023 Earnings Call | February 14, 2024

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QUESTION AND ANSWER SESSION

Operator: Good day and thank you for standing by. Welcome to The Kraft Heinz Company Fourth Quarter Results Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Anne-Marie Megela, Head of Global Investor Relations.

Anne-Marie Megela

Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Thank you, and hello, everyone. This is Anne-Marie Megela, Head of Investor Relations of The Kraft Heinz Company, and welcome to our Q&A session for our fourth quarter 2023 business update.

During today's call, we may make forward-looking statements regarding our expectations for the future, including items related to our business plans and expectations, strategy, efforts and investments, and related timing and expected impacts. These statements are based on how we see things today, and actual results may differ materially due to risk and uncertainties.

Please see the cautionary statements and risk factors contained in today's earnings release, which accompanies this call as well as our most recent 10-K, 10-Q and 8-K filings for more information regarding these risk and uncertainties.

Additionally, we may refer to non-GAAP financial measures, which exclude certain items for our financial results recorded in accordance with GAAP. Please refer to today's earnings release and the non-GAAP information available on our website at ir.kraftheinzcompany.com under News & Events, for a discussion of our non-GAAP financial measures and reconciliations to the comparable GAAP financial measures.

Before we begin the Q&A session, it gives me great pleasure to hand it over to Carlos Abrams-Rivera for opening comments and to host his first earnings update as our Chief Executive Officer. Carlos, over to you.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Well, thank you, Anne-Marie, and thank you, everyone, for joining us today. Before opening the call for questions, I just would like to say thank you to all my colleagues here at Kraft Heinz for delivering solid 2023 results. And at the same time, making the strategic investments for the future. And frankly, all that while navigating some persistent industry pressures.

I am very enthusiastic for our next chapter here at Kraft Heinz. And in 2024, we expect to drive top-line growth, return to positive volumes, expand gross margins and operating margins, and continue to reinvest in the business and in our iconic brands.

With that, I have Andre joining me today. Let's open the call for the Q&A.

Operator: Thank you. One moment for questions. Our first question comes from Andrew Lazar with Barclays. You may proceed.

Andrew Lazar
Analyst, Barclays Capital, Inc.

Great. Thanks. Good morning, everybody.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Good morning.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Good morning.

Andrew Lazar
Analyst, Barclays Capital, Inc.

Carlos, I was hoping to start out maybe organic sales in the fourth quarter were impacted, as you talked about, by trade timing and a retail inventory deload. You're suggesting that you expect the first quarter organic sales to be similar to 4Q, which implies that underlying sales maybe could be a bit worse than 4Q. I don't think you expect the retailer deload to continue. So, if I have that right, I guess, what would cause the sequential slowdown in organic sales in 1Q? And how do you see that playing out moving forward?

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Yes. Good question, Andrew. Thank you for that. The math on Q4 to Q1 may be similar, but the factors driving it are very, very different. And I think maybe, Andre, if you can give a little more color as to the effects of both the North America business versus the emerging market business and how that's shaping kind of the math behind the numbers?

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Sure. And good morning again, Andrew. So, as Carlos said, we do expect similar numbers from Q4, but coming from different drivers. So, on North America, we do expect better performance, because we should not repeat both the trade timing and the inventory deload. We think we're going to be at a healthy level at this point. And sell-out, if anything, maybe it would be in line or slightly better going into Q1. Now when you talk about emerging markets, we do a expect shipment phasing that will affect Q1.

So, we do expect, instead of growing double-digits like we have been doing consistently, emerging markets should be growing in the mid-single-digit territory. You might remember that last year, we had very strong performance in Latin America. Brazil grew 40% in Q1. So, we're going to lap that, but nothing wrong with the underlying sell-out trends, both in North America and emerging markets.

Andrew Lazar
Analyst, Barclays Capital, Inc.

Great. Really helpful. And then Carlos, it seems like if I have this right, most of the pressure in the GROW Platform in the fourth quarter was in Easy Meals. If I had that right, can you talk a bit about what caused that, and maybe how this plays out as you move into the first quarter? Because it sounds like you do expect North America to get better.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Yes. And frankly, Andrew, if I think about Q4, let me start with some of the positive, which is we also saw the return to growth of our Ore-Ida business, driving both growth and share performance as we continue to leverage the new partnership we have with Simplot and really being able to service the business to its full potential.

Now on the headwind side, I think we saw some challenges in our Mac & Cheese business. Frankly, it's a business that is driven disproportionately by our SNAP exposure. So that affected some of the business in Q4.

However, as I think about going forward, there are three key things we're doing to make sure we improve the trajectory: One, we're also making – we are investing further in our new campaign behind Mac & Cheese and driving new innovation behind it as well. So, you'll see from us additional areas around bringing new SKU flavors, we're bringing variety packs and we're bringing – you may have seen a new plant-based option with Mac & Cheese in a partnership with NotCo.

We're also making sure we continue to drive even better value with Mac & Cheese by leveraging the fact that we have in our portfolio partnerships that we can do with brands like Oscar Mayer to offer truly a complete meal solution for consumers, plus offering multi-packs, 12-packs and 4-packs, in different formats to different types of consumers who are looking for value.

And then finally, we're also making sure we're partnering with retailers. We're actually improving the overall assortment to optimize the traffic down the aisle. So, I feel very good about the fact that the team has been able to acknowledge what happened and is creating a new plan for us into 2024 to improve the performance of Easy Meals.

Andrew Lazar
Analyst, Barclays Capital, Inc.

Great. Thanks guys and see you all next week.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Thank you. Take care.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

See you, Andrew.

Operator: Thank you. One moment for questions. Our next question comes from Bryan Spillane with Bank of America. You may proceed.

Bryan Spillane
Analyst, BofA Securities, Inc.

Hey, thanks operator. Good morning, everyone.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Good morning.

Bryan Spillane
Analyst, BofA Securities, Inc.

I just had a question – I have a question about Foodservice and maybe if you can just drill in a little bit. In North America, it decelerated relative to the previous quarters. And I think even in your slide, you've got, I think, underperformed relative to the industry. And so, I guess a couple of questions there.

One is just, was there a trade or an inventory deload happening in Foodservice. Maybe if you could talk a little bit about the respective channels within Foodservice, what got better and maybe what got worse?

And then, sort of, your expectations, both for North America and global on Foodservice, do you expect it to be kind of in line with your algorithm for Foodservice this year or maybe even a touch better. Just want to unpack that Foodservice a little bit more, please.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Glad to. Let me start by clarifying something you said in your question. In our Foodservice business, we are growing both ahead of the industry in North America and international. So, I think that we actually feel very good about our performance on Foodservice, and we see that as we go forward into 2024. So, we see Foodservice growing in 2024 in-line with our long-term guidance, so high-single-digits. So, we think actually it's going to be a continued driver of our performance as we go into 2024.

And frankly, we have even more confidence as we go forward because we are not only performing well where we are, but we also are improving by getting into new higher-margin channels like independent and non-commercial channels, plus driving big innovation, leveraging our technology, leveraging the iconic brands that we have.

So, until now, we have seen the beginning of the potential of Foodservice and that is actually driving faster growth than we have seen in the industry. And we actually believe that between the innovation that we have, between us going into new channels that are high margin and more attractive, we can actually make that even a faster growing part of our portfolio as we go forward.

Bryan Spillane
Analyst, BofA Securities, Inc.

I guess, if I'm looking at slide 9 correctly, I think you've got the industry growing faster than your North America business in the fourth quarter. So again, it just seems like – I don't know if there's a disconnect between what you shipped versus what consumption was. But, again, unless I'm looking at this slide incorrectly, it actually looks like you underperformed the industry?

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Let me just say, I think you are looking at the slide incorrectly, and happy to follow-up with you specifically.

Bryan Spillane
Analyst, BofA Securities, Inc.

Okay. All right. Thank you.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Thank you.

Operator: Thank you. One moment for questions. Our next question comes from Stephen Powers with Deutsche Bank. You may proceed.

Stephen Powers
Analyst, Deutsche Bank Securities, Inc.

Hey, thanks. Good morning, everybody.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Good morning.

Stephen Powers
Analyst, Deutsche Bank Securities, Inc.

Carlos, I guess stepping back, I'd just like a little bit more detail on your conviction surrounding improved total portfolio volume trends and presumably volume share trends and a return to growth as you progress through 2024. Because on the one hand, I understand drivers that you talk about in your prepared remarks. On the other hand, we're coming off a quarter that saw you tweak organic growth expectations lower coming into the quarter and then effectively undershoot those expectations when the dust settled. So, I guess, again, what gives you the confidence that we're not only leveling off, but we're approaching a level that where we can return to growth without, I guess, incremental investment in promotions and price because it doesn't seem like that's part of the outlook?

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Right. Let me just unpack that a little bit. First, as Andre mentioned earlier, there are some factors specifically affecting our Q4 performance in terms of trade as well as inventory that we're not going to repeat as we go forward. As we go into 2024, if I think about, first, the top-line, we are going to continue the progression of emerging market and Foodservice. And then emerging markets is already growing volume, and we have seen the progress of our Foodservice business growing faster than the industry. And in North America on top-line, we actually expect to recover share, and the investments in innovation we have made are paying-off and we'll start seeing that coming throughout the year.

So, I think that idea of us continuing to invest in the right things behind our insights in North America, it's playing out with innovation and then it helps us too to have the right business plans with our retailers. Those factors actually are going to help us drive the top-line with confidence.

If I think about kind of the – specifically, you talked about volume, one of the things that we are looking at is, we are anticipating a return to historical activity levels. And in fact, we are seeing that already.

So we are expecting volumes to turn positive in the second half in the year because, as I mentioned, the idea of us continue to invest in innovation that actually will give us the right tailwinds as we go into the year, plus we no longer will have some headwinds associated with both pricing that we took in Q1 of last year as well as the SNAP benefits cycling that as we go into the second half of the year.

So that all together gives me the confidence that we can see that, us coming together with a better performance as we go into 2024 in a way that actually allows us to exit the year in an on algo way as a company.

Stephen Powers
Analyst, Deutsche Bank Securities, Inc.

Okay. Okay, very good, very good. Thank you. And then Andre, if I could, there was – the free cash flow conversion this year improved as it was expected to. So that's a positive, I guess. Just as we look into 2024, how are you thinking about free cash flow conversion in the new year. Can we expect further improvements? And if not, either way, I guess, what are the drivers of free cash flow progress as we go forward? Thanks.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Sure. Good morning. So yeah, as we pointed out, we were able to deliver a very solid cash flow conversion in 2023 above 80%. And we do expect a small progression also as we head into 2024.

We are still going to be in the 80s territory, because we do expect another year of solid CapEx investment like we have been doing in the last two years. There's a lot of good investment opportunities for us in the organic business.

And we have some tax step-up that we also mentioned that's affecting earnings as well. So those two factors go against that. But on the other hand, working capital should expect to continue to improve as a consequence of the investments we have been making.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

The one thing I would add too is for those of you joining us at CAGNY, we'll be able to unpack too a little more of our investments we're making. I mentioned quite a bit about innovation, about how we are going to continue to invest in our brands, making sure they are superior to our competition. So, I think you'll see a lot more details on that from myself and the team when we're together in Florida.

Stephen Powers
Analyst, Deutsche Bank Securities, Inc.

Okay. Very good. We will see you there. Thank you.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Thank you.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Thank you.

Operator: Thank you. One moment for questions. Our next question comes from Ken Goldman with JPMorgan. You may proceed.

Ken Goldman
Analyst, JPMorgan Securities LLC

Hi, good morning. Just curious, there's some early indications that maybe as an industry, quick service restaurants, seeing some fraying at the edges in terms of consumer demand, mainly under the weight of higher prices. I'm just curious if this is something you're seeing as well. And to what extent, if at all, does your outlook maybe potentially factor some kind of slowdown there?

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Yes. In our business, frankly, a lot of our business Ken is really focused on front of the house. And we're actually seeing solid performance for our Away From Home business, both in the US and as well as outside the US. And if you think about the fact that outside the US, we use that channel very much as a way for us to drive awareness and build their brands. That continues to drive positive growth for us.

In the US as well, we see that even within the context of QSRs, we continue to see progress and improvements. But at the same time, we're also expanding into new channels that allows us to continue to drive the growth, whether that is from our vending opportunities or into into new hospitality areas. So, we also are having a little bit of a broader view of how we define our Away From Home business to go into new spaces that we know are margin accretive and not be dependent on just one channel in order for us to drive the growth.

Ken Goldman
Analyst, JPMorgan Securities LLC

Understood. Thank you for that. And then the gross margin increase you're expecting this year despite a little bit of lingering inflation. Can you just remind us what some of the key drivers will be of that? Is it simply a continuation of what helped 2023 in terms of COGS efficiencies and some revenue growth management assistance?

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Sure. So, we expect gross margin to expand again and that is part of our long-term algorithm. We feel proud of what we have done so far. Reminding that we always have been pricing to offset inflation dollar for dollar, and that's what we have done in the last two years.

However, in 2024, we are expecting to price approximately at a 1% level, which is below the inflation that we're expecting at 3%. So, the main driver is really coming from the gross efficiencies. We have been delivering ahead of what we outlined to you a couple of years back. So, 2023 is a very solid year, almost 4% of gross efficiency as a percentage of COGS. And in 2024, we expect another solid year. So, this gross efficiency is helping us, not only to offset a component of the inflation, but also is helping us to expanding gross margins and investing a little more in the business on the SG&A side. And that's something that you should expect to see from us.

Ken Goldman
Analyst, JPMorgan Securities LLC

Great. Thank you.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Thank you.

Operator: Thank you. One moment for questions. Our next question comes from Pamela Kaufman with Morgan Stanley. You may proceed.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Good morning.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Good morning, Pamela.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Good morning.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

I was hoping that you could double click a bit into the drivers behind your Q4 results in North America and how you're thinking about those factors going forward? You pointed to weaker consumer demand, but also discrete headwinds like the inventory deload and lapping the trade accrual. So how are you thinking about North America consumer demand in 2024?

And can you explain what drove the one-time dynamics? Was it a specific retailer or specific categories where you saw a deload? And maybe you can explain the effect of the trade accrual? Thank you.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Let me start and give you a sense for how we see the consumer today. And then maybe, Andre, you can go deeper into the specifics about Q4 and how we see that playing as we go forward. But I guess the place I will start would be that, what we're seeing in the data is regardless of the income levels that the consumer is looking for value and they continue to be under pressure. And what we see is low-income consumers are actually shopping more at places like dollar stores, higher income consumers, more club stores. But mostly, we are seeing them looking for smaller trips to stretch their dollar further.

So, for us, it continues to be about, how do we continue to deliver value in different ways for that consumer who are very much focused on value, through intentionally investing in our brands, making sure we have longer value offerings and increasing the distribution in different channels to begin what we have done in the past.

And let me just be specific before Andre gives you the details on Q4. And if I think about club channels, we have introduced a number of brands into club from Capri Sun and Lunchables, to Classico pasta sauce. In fact, we also tested new innovation in our club channels. And in 2024, we'll have a 20% higher number of offerings into club than we did in 2023.

Now if I think about the entry points in the category and the SKUs that we can have in the kind of areas around dollar stores, we're actually making sure that we're driving things like improving our assortment of barbecue and mustard or Kraft mayo and salad dressing as well as new items around Taco Bell and our partnership that we have with them in order for us to drive expanded use of our Mexican initiatives.

So, if I think about dollar store, we actually have today over 300 SKUs. And year-over-year, we're going to be increasing about another 10% versus what we had in the past. So, we are making sure that we are in the right channels, with the right assortment and continue to invest in our innovation in order to make sure that we could capture consumers looking for value independent of whether they're looking for different occasions, different formats, different shopping behaviors and now, Andre, if you want to give a little more context on Q4.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Sure. So North America net sales declined 3%, and approximately 140 bps is linked to the trade accrual release from last year from 2022 and from inventory deload year-over-year.

But in fact, it's not that we saw a deload happening in 2023. It's that in Q4 2022, we started to recover services and ship ahead of consumption. So, we are lapping that effect. So, there's nothing really on that regard affecting 2023, it's just a lapping effect.

Now the sellout was negative, and it was softer than what we anticipated. We underestimated the impact of SNAP in Q4. It turned out to be more than 150 basis points stronger than we thought.

If you remember, there was a concentration of emergency allotments at the end of 2022. So, on a year-over-year basis, there's net benefits declining close to 40%, which is substantial. And that's what affected a lot of sellout. We should continue to see some of that in Q1. So, on a year-over-year basis, Q1 2024 will still be about 20% less in SNAP than last year.

So, we're still going to suffer a portion of this effect. But on the other hand, our market share has improved in Q4 as we anticipated which is a very good sign. We are exiting the year with the best share performance of 2023. So that give us a lot of good momentum heading into this year. Hope that helps.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Yes. Thanks. Just a quick clarification, so are you saying that SNAP was a greater headwind in the fourth quarter than the prior two quarters?

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Yes. Absolutely.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

And why do you think that is?

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Yeah. Because there is a concentration of emergency allotments considered in Q4 of 2022, so the SNAP benefits in Q4 2022 were actually higher than Q2 and Q3 2022.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Okay. Thank you.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

And this in itself is not a surprise. I mean we just underestimated the elasticity of that.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Understood. I will pass it on. Thank you.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Okay.

Operator: Thank you. One moment for questions. Our next question comes from Robert Moskow with TD Cowen. You may proceed.

Robert Moskow
Analyst, TD Cowen

Hi. Thanks. A couple of questions. Those of us analyzing your commodity exposure see a lot of deflation running through on the ingredient side, maybe even the packaging side. And your guidance is for inflation to be positive. Can you walk through some of the components that we can't see, maybe it's conversion costs or things like that, that make this continue to be an inflationary year?

And then my second question was, you have the $25 million write-down for, I think, systems related to your modernization efforts. Can you go into a little more detail as to what caused that write-down? Thanks.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Sure. Good morning, Rob. Good to hear from you. So, on the inflation side, as we said in prepared remarks, we do expect inflation again into 2024, low single-digits, on the 3% territory, even though ingredients as a whole, we see quite a few commodities that are deflationary. We still have the impact of mainly tomatoes and sugar affecting us negatively. So, there is a little net increase in terms of commodity inflation.

But the biggest bulk of the inflation is really coming from labor. We continue to see a relevant higher than pre-pandemic level increase, as well as in transportation. In 2023, the transportation costs were quite low, and we are seeing some signs of rebound on the transportation cost side. So, this is where inflation is mostly coming from.

On the second part of the question about the $25 million, so not 100% of that is the system write-off, even though it's the majority of it. And this is due to deciding not to maintain investment in a certain technology that we think will not be relevant for the future. So, we decided to stop that investment and redirect it into something that we think will be more relevant to us and our future agenda.

As you know, technology is front and center of our strategy. And we have continued to make decisions to make sure that we can turn it into a competitive advantage to us. And this might require us to make decisions in between a part that we've not initially anticipated because we see that that's the right thing for the business for the long-term, we're not going to hesitate to do that.

Robert Moskow
Analyst, TD Cowen

Okay. Thank you, Andre.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Thank you, Rob.

Operator: Thank you.

Anne-Marie Megela
Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Operator, we have time for one more question.

Operator: Thank you. And our last question comes from John Baumgartner with Mizuho Securities. You may proceed.

John Baumgartner
Analyst, Mizuho Securities USA LLC

Good morning. Thanks for the question.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Good morning.

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Good morning.

John Baumgartner
Analyst, Mizuho Securities USA LLC

Maybe first off – good morning. Wondering if you could provide an update on the outlook for efficiencies. Just given the over delivery in 2023, what's included in the guide for 2024. And as you think out to this next round of improvements, specifically the new overhead savings from automation, fixed assets, how are you thinking about the timing for when those benefits begin to accrue?

Andre Maciel
Executive Vice President & Global Chief Financial Officer, The Kraft Heinz Co.

Great. So, thanks for the question. As we said, 2023 was a very solid year. We delivered close to 4% of efficiencies as a percentage of COGS. And we do expect 2024 to be another year where we will be delivering ahead of the 3% of COGS that we have outlined. I want to make sure that you understand that not only is this a consequence of the complete change in the ways of working that we have done in supply chain, where we are more focused on variable costs and continuous improvement.

But we also have some efficiency opportunities that are coming through as a consequence of the pandemic and all the inefficiency generated by that. That helped I think in 2023, and that is still going to help a little bit in 2024.

But beyond that, there are a lot of things happening in the supply chain space, difficult to name only one given the sheer size of our COGS, but we do have initiatives coming from network optimization in the US.

We have a very complex distribution center network, more than 80 distribution centers overall. We do have initiatives in automation. In fact, we have a very strong partnership with Microsoft using technology to allow us to make faster decisions and that improves labor usage and reduces yield losses. We have a lot of opportunities on value engineering, we continue to make sure to offer the right type of attributes to consumers. So, there is a lot of different levers. We're going to touch on a few of them next week in CAGNY, but I think we are very pleased with the quality of the pipeline we have in supply chain now.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

And I think you will see how the investments we have been making in technology and the partnership we have been making in digital are basically fueling a lot of that efficiency in a way that actually creates some benefit for us for now and in the future as well. And, again, we'll unpack that even further when we are together in Florida.

John Baumgartner

Analyst, Mizuho Securities USA LLC

Okay. Thanks for that. And then just quickly on international. The emerging markets vol/mix was pretty solid in Q4. But I'm wondering if you can speak to the vol/mix in the developed markets, what you're seeing in Europe from category performance, private label competition and the consumer dynamics that're sort of giving you confidence in the international guide for 2024. Thank you.

Carlos Abrams-Rivera

Chief Executive Office & Director, The Kraft Heinz Co.

Happy to. I you about what we have mentioned in terms of value and how consumers are looking for value in the US is similar as well in terms of consumers in Europe.

I mean they are looking for that value as well. And we are continuing to make sure that we're bringing that value through the critical brands that we have, like our Heinz business in the UK, for example, and how we continue to bring the products to the market that bring a number of improvements on our quality of our products as well as focusing on the benefit that we bring.

So, for example, a product like Heinz Beans and the fact that it brings a benefit around protein, that's something that is now shifting in terms of how we think about that product. The fact that we're also bringing within certain part of our categories, new entries by leveraging some of our brands, so in baked beans we will have not only the Heinz Beans, but we'll also have HB baked beans. And that allows us to actually play in a couple of different areas with consumers, both more mainstream as well as the more value oriented.

And then in places like Germany, we're also introducing new benefits to consumers as they are looking also again for value, whether that is Heinz Mayonnaise in new channels in the discount spaces, but also making sure that we continue to bring the innovation consumers are looking for from us like our Heinz Tomato Ketchup with zero sugar.

So, we are approaching it with the same sense as we do in the US, which is let's make sure we're in the right channels with the right assortment. And at the same time, let's focus on the benefits that we bring with our products.

John Baumgartner
Analyst, Mizuho Securities USA LLC

Thanks Carlos. Thanks Andre.

Carlos Abrams-Rivera
Chief Executive Office & Director, The Kraft Heinz Co.

Thank you.

Anne-Marie Megela
Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Thank you very much.

Operator: Thank you. I would now like to turn the call back over to Anne-Marie Megela for any closing remarks.

Anne-Marie Megela
Vice President, Global Head of Investor Relations, The Kraft Heinz Co.

Thank you, and thank you, everyone, for your interest. We look forward to seeing you next week.

Operator: Thank you for your participation. You may now disconnect.
