The Kraft Heinz Company

Q2 2023 Earnings Call | August 2, 2023

COMPANY PARTICIPANTS

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

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

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

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

OTHER PARTICIPANTS

Andrew Lazar
Analyst, Barclays Capital, Inc.

Ken Goldman
Analyst, JPMorgan Securities LLC

John Baumgartner
Analyst, Mizuho Securities USA LLC

Bryan D. Spillane
Analyst, Bank of America Securities

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Cody Ross
Analyst, UBS Securities LLC

QUESTION AND ANSWER SESSION

Operator: Good day and thank you for standing by. Welcome to The Kraft Heinz Company Second Quarter Results. At this time, all participants are in a listen-only mode. 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. Welcome to our Q&A session for our second 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 plan and expectation, strategy, effort and investment, 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 uncertainty.

Please see the cautionary statement 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 risks and uncertainties.

Additionally, we may refer to non-GAAP financial measures, which exclude certain items from our financial results reported 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 reconciliation to the comparable GAAP financial measures.

Before we begin, I'm going to hand it over to our CEO, Miguel Patricio, for some brief opening comments.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Thank you, Anne-Marie, and thank you, everyone. Thanks for joining us today.

Before opening the call for questions, I would like to thank the entire Kraft Heinz team. We have proven again that our strategy works, generating top-line growth fueled by our three pillars, while reinvesting margin gains into the business.

And while we did lose share in the quarter, as price gaps have stayed wider for longer than we would have liked, we are managing the business for the long term and still generated mid-single digit top-line growth within the range of what we expected.

As you may remember on our last earnings call, we introduced four action plans to drive share. We have seen those plans take hold and they have led to improving results each month within the quarter, building momentum into the second half of the year.

The continued execution of these action plans and the lapping of last year's pricing are expected to drive improving volume trends in the second half of 2023 and into 2024. Our results give me continued confidence in our strategy and in our business. And I'm pleased to reiterate our full-year guidance.

With that, I have Andre and Carlos joining me. Rafael is on a well-deserved vacation with his family. So, let's open the call for Q&A.

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

Andrew Lazar
Analyst, Barclays Capital, Inc.

Great. Thanks so much. Good morning, everybody.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Morning Andrew.

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Good morning.

Andrew Lazar
Analyst, Barclays Capital, Inc.

I was hoping to dig into the promotional environment a little bit and some of the comments from your prepared remarks about branded competitors promoting at a higher level than Kraft Heinz. In your view, I mean are branded competitors either over-promoting or promoting in what you see as sort of an irrational way? Or is it more that KHC has not been able to ramp up its own merchandising activity yet to the extent needed, given some of the supply constraints and leading of the pricing actions? I guess in other words, would you still expect the industry promotional levels to settle in below 2019 levels? Or is there some concern building internally that competitive behavior could return to previous levels or beyond? And that pricing could actually go negative at some point. Just trying to put context all of around this. Thanks so much.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Good morning, Andrew. Thanks for the question. I will ask Carlos to answer since I believe it's related to the US retail.

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Good morning, Andrew. The way kind of I look at it is that if you look at the industry as a whole, today, promotional levels are, as you said, still below 2019.

What we are seeing is that our branded competitors are actually closer to those levels. And what we are working on is, how do we continue to make sure that we act with a thought of protecting our margins and of building the virtuous cycle, as we continue to improve on our marketing, continue to improve our service, our innovation, and importantly, that we stay focused on driving the revenue management needed in order for us to be rational in terms of the effectiveness of our promotions.

So, if you look at our promotions this year, we actually have been very effective and efficient. We actually are generating attractive ROIs in investments. I think the numbers right now are up 50 points versus 2019. And that's true because the focus that we have on those agile AI-driven revenue management tools, that we are applying to making sure that every promotional does have that kind of true ROI return.

Now on top of that, we're also making sure that we are working to maximize the opportunity on those promotions. So, the quality of our merchandising, especially when you look at displays, continued to improve. And in fact, our shelf displays continued seeing increasing improvements over the first quarter.

So, I think all together what I would say is our focus continues to be very much leveraging our revenue management tool, continue to focus on driving the investments in terms of marketing innovation, which we'll know – we'll make sure that improve our view as we go into the second half of the year and on to 2024.

Andrew Lazar
Analyst, Barclays Capital, Inc.

Great. I'll pass it on. Thank you.

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Thank you, Andrew.

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. Thanks. You mentioned that the second half organic sales growth rate will be more in line with the long-term algo. Not to put too fine a point on it, just so we can model more accurately, I was just curious. Does this mean you expect it to be within that 2% to 3% range, that's your long-term algo? Or just getting somewhat closer to it?

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Thank you, Ken. Andre, please.

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

Thank you. Good morning. As we have said in prepared remarks, we expect to gradually go towards the long term algo. It might happen that we're going to reach that between Q3 and Q4. But you should expect revenue to be gravitating towards that.

Ken Goldman
Analyst, JPMorgan Securities LLC

Okay. I'll follow up on that. And then I wanted to ask a follow up about capital allocation priorities. Paying down debts, I think number three on that list, ahead of portfolio management. You highlighted that leverage is I guess more or less at your target. Does debt paydown thus move down a notch in importance? And I guess what I'm getting at, is there a scenario in which you might maybe start to buy back some stock again?

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

Yeah. We are not changing our capital allocation policy now. So as you said, our priority has been to fund the business organically. We have been doing that very consistently.

We remain committed to the dividend that we have, that provides a very attractive yield, which is critical. And I think we feel good about our rating now, with the double upgrade we had in the past 16 months.

M&A, as we said before, continues to be something that we actively look at. We mentioned that multiple times. So, we have been very disciplined how we're doing that. But there's no change at this point.

I mean there is – we are always taking into consideration market dynamics and our capital structure. But we don't have anything new to say at this point.

Ken Goldman
Analyst, JPMorgan Securities LLC

Thank you.

Operator: Thank you. One moment for question. Our next question comes from John Baumgartner with Mizuho. You may proceed.

John Baumgartner
Analyst, Mizuho Securities USA LLC

Good morning. Thanks for the question. I wanted to stick with North America and the comments on promotions, but more so on delivery.

Is there – Carlos, you highlighted the ROIs you're seeing. And you touched on the quality promos a bit. But to dig into that a bit more deeply versus history, how are you seeing the lift sort of changing from quality promo programs, the feature, the display, relative to the pre-inflation era? Are you seeing a greater role for price reductions going forward? Does quality program still have the same degree of lift in terms of the influence of those drivers?

Just trying to get a sense for, as you lean into promo more in the back half and programming, does pricing need to be a larger driver at the margin than you would have thought relative to feature and display a couple of quarters ago?

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

John, thanks for the question. I will say I think some of the parts were a little hard to understand but I think I got the gist of your question.

Related to the second half, that we think about promotional level, and we have said this in prior calls and its within our guidance, there is a step up that we'll do in promotional levels as we go into the second half of the year in selected categories. But always with a disciplined approach about the returns.

What I would add, too, is that one of the things that we are able to do with our promotional investment to improve the effectiveness of those things, of that investment, is to make sure we leverage the entire portfolio. And that we are thinking through how do we make sure we have the right product selection to the right audiences.

So, for us, when you look at our – what is barbecue season, and we combine the different kind of categories that we can bring together. As we think about back to school, in which we can bring in Lunchables and our Capri Sun business together. That idea of us being able to kind of go into the retail environment and actually lever the entire scale of our business allows it to be more effective in terms of the returns of those promotions.

So, it's both looking at the true ROI through the AI management tools that we have, as well as maximizing the presence in store, leveraging our scale.

The last thing I will say is, as we think about going into the second half of the year, we're also seeing consumers behaving in a way – in two different kind of camps.

There are the consumers who are going to be looking for those more, I will say, larger packs, in which they're going to look for the value by looking at the total size of the products that they're going to get. And why we are introducing more products in the club-type of packages, whether that is in a Mac & Cheese, in a Lunchables. And you see that is focused on driving that particular type of behavior and with consumer effectiveness.

There's also going to be a number of programs specifically to making sure that we are keeping consumers who are also focused on the cash flow within our categories. Which is why we also have been introducing more of the smaller package, more of the dollar type of products that allows us to maintain our consumers within the category for longer.

So we are approaching that in those two prongs. At the same time, always looking at making sure we have the right ROI in every investment that we make.

John Baumgartner

Analyst, Mizuho Securities USA LLC

Okay. I apologize for my connection there. But just to clarify, if we think about price promotions versus sort of non-price, the quality, the feature, the display, have you seen any sort of changes in terms of how deep you may have to go on price reductions going forward? Or do you think that kind of quality promo, you'll still see attractive lift and you don't really have to get deeper on pricing.

Andre Maciel

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

What we have – so Andre here. What we have seen throughout these past three years is that we can have very effective lifts without having to go as deep. And I think that that – where you look across at least data from IRI or Nielsen, that's what we have been observing ourselves. And I think that still remains true moving forward. The other thing that as Carlos mentioned, moving forward you're going to start to see more and more of an increasing importance of mix and not only doing more promotions or playing with list prices. So, I think you're going to be hearing a lot more about mix-related actions.

John Baumgartner

Analyst, Mizuho Securities USA LLC

Okay. Thanks for your time.

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

Bryan D. Spillane

Analyst, Bank of America Securities

Hey. Thanks, operator. Good morning, everyone.

Miguel Patricio

Chief Executive Officer & Chairman, The Kraft Heinz Co.

Good morning.

Bryan D. Spillane
Analyst, Bank of America Securities

So – hi. So, I had – I guess I had just two questions. First one just a clarification. I think we talked about margins in the prepared remarks, that fourth quarter margins will be higher than the third quarter. And I just want to clarify. Was that a comment on gross margin? Or EBITDA margin?

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Andre?

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

Yeah. It ends up being both, but it's driven by the gross margin.

Bryan D. Spillane
Analyst, Bank of America Securities

Okay.

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

It's a seasonal factor. Because in Q4, we typically sell – we over-index in products with higher margin.

Bryan D. Spillane
Analyst, Bank of America Securities

Okay.

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

If you look just at seasonality, aside from any other noise, Q2 is higher than Q3 because we shipped a lot of grilling season, which has higher margin which ships for summer. And then in Q4, we have items like cream cheese, gravy and other items that have very high margin. Desserts. So that's why. It's just mix related.

Bryan D. Spillane
Analyst, Bank of America Securities

Okay. And then second question, and I guess maybe this is related to what John Baumgartner was just asking. But maybe just more simplistically, I think coming out of the first quarter, you talked – and this, we're talking North American retail – that one of the issues or one of the drivers of share losses, which is price gaps, right, that competitors, whether it's private label or branded, in certain categories hadn't followed your pricing.

And so I guess I have two questions. One is, have price gaps narrowed? Or are your share gains that you've seen sequentially over the last couple of months happened without the price gaps closing?

And then when we think about your – the comments about expectations for volume growth in 2024, right, is that dependent also on kind of normalized price gaps? I guess what I'm trying to understand is like, can you drive volume without those price gaps closing? Because you really can't control what your competitors do.

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

Yeah. I think there's a couple of things. If we look versus the total, with the last two, three months, we have seen the price gaps narrowly moving favorably to us. So, getting closer. So, there is certain contribution coming from that.

And also, all the other actions that we outlined in prepared remarks, right. So, we had, too, some pockets of challenges in service that is now getting behind us. Think the only big remaining item is cold cuts that, that we said is going to recover by end of Q3, early Q4. We have innovation starting to ramp up. And I think Carlos can give more color on that.

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Yeah, Bryan. What I would add is that first of all, on the comment on private label. Private label shares transactionally have been flat since the second half of 2022, even with increasing price gaps that we had after our pricing back in February.

So, we have taken that pricing to protect our margins, and some branded competitors have not followed. But I think we continue to stay diligent on the way we think about the business.

Now in the points that Andre just mentioned in terms of, as we think about going forward, why is it that we see the moderation of our improvement? I'll give you three reasons on how we look at it as we go into second half of the year into 2024 in US retail.

Number one, we're investing more in marketing, we're launching more innovation. And we are lapping the pricing actions as we go into second half of the year.

And just to unpack it one more level, if you think about the innovation that we are seeing right now, we are actually building momentum as we go into the year, as we are following this kind of two-pronged strategy innovation.

First, you're going to see us continue to launch more disruptive innovation platforms. And that includes things like our NotCo line of plant-based offerings, the new Crisp from the Microwave, which delivers great taste and with the convenience. And the Restaurant to Retail platform. And you see that already with things like the IHOP Coffee line.

The second part of our innovation is also how do we take our existing brands into new spaces. Already we introduced a new frozen Mac & Cheese. We are expanding our Delimex and Taco Bell into more spaces within Mexican meals. And as we speak, we're also launching new Oscar Mayer Scramblers, as we continue to expand on the breakfast platform.

So you see it's comprehensive in terms of how we are approaching innovation in order to continue to shape the categories, as we increase shelf space and quality of displays as we go forward. And that's really paying off.

In fact, just to give you a factoid, if you look at our Lunchables, we are creating a new golden wall in Lunchables as we go into the second half. And we are seeing that in some of our top customers that increases about 40% our spaces in the shelf.

So again, it's not only thinking through the kind of promotional event, but also what we're doing in terms of our driving – volume driving activities that are important as we go forward.

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

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Hi. Good morning.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Morning.

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Morning.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

In North America, you pointed to your organic sales growth below consumption in certain parts of the portfolio, like the Grow platform, Taste Elevation, Easy Meals. What's driving that gap? And are you seeing a change in how retailers are managing inventory levels or shelf space for your brands?

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Carlos?

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Let me start with the – thanks for the question. Let me start with the second part of that.

Which – what we have seen right now it's, if you look at the second quarter and what we know today, we believe retail inventory is actually in pretty good shape.

In fact, on average, retail inventory for us was flat across the North America business. And where it did happen, it was in truly isolated pockets and earlier in the quarter, so that we actually saw that through the quarter, it continued to improve.

And so there's no – I don’t see that as an ongoing situation as we go forward. And that has been proven as we go through the quarter.

So – and I'm sorry. The first part of your question then was what?

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Why was – why were your sales below consumption across some of your platforms?

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Yeah. No. Thank you. I think if you look at our Grow platforms, which continue to drive our priority and our strategy, those actually in consumption remain very strong.

I mean if you think about Taste Elevation growing 8% for the quarter. Easy Meals growing 6% in the quarter. In those cases, the difference between our organic and our consumption were specifically in Easy Meals. Well, there was an inventory de-load at the beginning part of the quarter that as I said earlier. It continued to improve as we go into – as we go forward.

And I think for us is that remains – our strategy remains – the fact that the consumption continued to improve as we go through the quarter and the performance we saw in those, I think supports our continued focus on that strategy as we go into second half of the year.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Okay. Thank you.

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

Thank you.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

And just a follow-up question on your outlook for volumes improving in the back half.

You pointed to moderating pricing growth as one of the drivers. But in the second quarter, pricing already moved past its peak, although volumes still softened.

So why do you think that volumes will get better from here, considering the competitive environment and some of the macro headwinds you highlighted, like the student loan repayments resuming? And I guess just related to that, how much of a driver do you think that the innovation that you talked about can be for volumes? Thanks.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Andre?

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

Yeah. Look, our price in Q2, as you saw, was close to 11%. And the reason why we saw higher elasticity and higher volume decline, as we said before, is because of the expanded price gaps.

Now moving forward, these price gaps are not getting worse. If anything, they are slightly getting better.

So, as you head into the second half, as we continue to lap price, we still have relevant price that happened last year, so that you're going to be lapping.

We start in early Q3, and even – and even had another round that we implemented Q4 last year. So still have two rounds of price to lap in the United States alone.

So beyond the pricing side, there are other things linked to our action plans that to help us to step up the share level that we are today. I think Carlos can speak about that.

Carlos Abrams-Rivera
Executive Vice President and President, North America, The Kraft Heinz Co.

The one thing I can – I would add to that too is that, if you think about innovation, it's not just kind of the launching innovation, but what the innovation allows you to actually perform in market.

So, when I mention things like us being able to improve our presence and expanding our shelving on things like Lunchables, because of the innovation. And in Lunchables, for example, we are going to new locations. So, we already announced yesterday, we're doing pilots on taking Lunchables into the produce section. We're launching innovation within schools. We're expanding the presence in vending. All that actually helps us strengthen our overall performance in stores.

We also are doing that in Philadelphia Cream Cheese. If you think about a year ago, this is actually going to be the first holiday season in which we're going to go into the holidays with full service on Philadelphia Cream Cheese. And that's true for the last several years.

So now we have an opportunity to actually truly leverage the power of our brands, make sure we build our share of display, as we go into this, one of the most important seasons for the Philadelphia business.

And we also see it in coffee. I mentioned earlier the fact that we have a new line with IHOP in terms of bringing coffee, new IHOP Coffee into the stores. That actually allows us to also expand our coffee category into the stores and actually win additional spaces as we go into the second half of the year.

So, the innovation plays a couple of roles. It both attracts consumers and shapes our category to grow, but it also helps us expand our presence in order to increase our volume as well.

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

So, volume expected to improve as a function of lapping prices from last year. Still have two rounds to lap. Innovation ramping up. Shelf resets in the fall that I think will be favorable to us. That's the expectation. And service level recovery, particularly in cold cuts.

Pamela Kaufman
Analyst, Morgan Stanley & Co. LLC

Got it. Thank you.

Operator: Thank you. One moment for question. Our next question comes from Cody Ross with UBS. You may proceed.

Cody Ross
Analyst, UBS Securities LLC

Hi. Thank you for taking our questions. Just want focus on gross margin, specifically your inflation outlook. What's driving you to move your inflation outlook lower this year?

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

So, commodities in general continue to come down. And as hedges roll off and our contracts get adjusted, some of them are based on indexes. We are seeing costs continue to move favorably, which has been allowing us to expand the gross margin and, by consequence, has been allowing us to accelerate the investment behind the business, particularly in marketing, R&D, and technology.

Cody Ross
Analyst, UBS Securities LLC

Any particular commodities?

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

That are declining?

Cody Ross
Analyst, UBS Securities LLC

Yes. That you would call out that's driving that?

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

I don't think there is a particular one. I mean our portfolio is so large, there's so many commodities impact the business. I'd say that there is a general movement of commodities coming down. The exceptions to that, are tomatoes, potatoes that had bad crops, and sweeteners. Other than that, we are seeing generally commodities moving favorably.

Cody Ross
Analyst, UBS Securities LLC

Understood. And then in light of the declining commodities or your outlook for inflation, do you think you took too much price, given you said you took price ahead of competitors, and they have not followed? And then I'll pass it on.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

No. I would say – let me answer that one. I would do everything again.

I mean we had very high inflation. And we are leaders in the vast majority of categories where we play. And it's our role as leader to try to compensate this inflation with price increases. So, I would do everything again. I mean we can always go back on price if we think we have to or when we have to. But we had to lead price increases. So yeah, that would be my answer to you.

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

And the only thing I would say is remember that we have been very systematic in terms of pricing to offset the inflation. And that's what we have done. We're not priced ahead of inflation. If you look at our gross margin in Q2, it's still slightly below 2021 levels.

And the other thing that is worth mentioning on the gross margin, we showed that in prepared remarks, our efficiency plan is trending very well. And we are ahead of – we are pacing ahead of the $500 million that we have said we will deliver by the end of the year. So thats good news.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Let me build on that point from Andre. I think that the only sustainable way to keep increasing our investments behind the brands and to grow our volumes and share for the future, is by improving gross margins and investing back in marketing, R&D, and technology, which is exactly what we are doing.

Because we had very high, very good gross margin this quarter, we could increase marketing this quarter by 23%. We could increase R&D by 10%. We could increase our investments in technology.

And as Andre said, that was possible because on one side, yes, we had price increases. But on the other side, because we are every month delivering more and more efficiencies in supply chain. Very excited with that part as well. And that's...

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

And many people have noted the difference as well on how we are operating. Because we have been patiently opting to use those resources to put back in the long term behind marketing and technology.

We could have opted to be adding more promotions. But that would not make sense, because we would be adding promotions to low return. We are thinking about the long term here. I hope people note the difference of how it has been, and how we are looking at these things very different.

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

And that'll wrap it up for today's Q&A session. Thank you all for your questions. I will turn it over to Miguel, who will wrap up the call for us.

Miguel Patricio
Chief Executive Officer & Chairman, The Kraft Heinz Co.

Hi. I just want to thank you all for the time and for the attention and the patience with us. Thank you so much and hope to talk to you and to see you very soon.

Operator: Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.