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PRESENTATION

Operator

Good morning, and welcome to PepsiCo's Fourth Quarter Earnings Question-and-Answer Session. (Operator Instructions) Today's call is being recorded and will be archived at www.pepsico.com.

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

Ravi Pamnani - *PepsiCo, Inc. - SVP of IR*

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

Before we begin, please take note of our cautionary statement. We may make forward-looking statements on today's call, including about our business plans, 2021 outlook and the potential impact of the COVID-19 pandemic on our business. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, and we are under no obligation to update.

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

Joining me today are PepsiCo's Chairman and CEO, Ramon Laguarta; and PepsiCo's Vice Chairman and CFO, Hugh Johnston. (Operator Instructions)

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Bonnie Herzog of Goldman Sachs.

Bonnie Lee Herzog - Goldman Sachs Group, Inc., Research Division - Research Analyst

I had a question on your marketing and how we should be thinking about your ad spend levels this year. It seems quite obvious, I guess, that you can op right now at lower ad spend levels. So I guess I wanted to clarify with both of you that you do expect to pull back on the absolute level of your ad spend this year. And then how should we think about this from a long-term perspective, especially when I think about the context of the overall health of whether it's your categories and certainly your brand equity and how you're going to maintain that?

Ramon Luis Laguarta - PepsiCo, Inc. - Chairman & CEO

Yes, Bonnie, this is Ramon. Listen, the advertising levels, I don't think we are maximized on the investments. What we are seeing is that the A&M line has opportunities for optimization, especially in what we call nonworking, and we're working hard on optimizing that part. And obviously, we're working on optimizing the return on investment on the advertising part of the media that impacts the consumer.

One of the decisions we took this year was -- and if you look at Frito-Lay, for example, or some of our international business, we actually increased our A&M. And the reason for that is that within the formula for success of our portfolio, we have to have our large brands growing at a decent pace, at the market level, hopefully. And for that, we need to keep them modernized, we have to keep innovating on those large brands. But also, we need to invest in the growth space of the category where sometimes we need to create new brands. And that requires a well-funded kind of support package to get those brands up and running.

For example, if you think about the Frito portfolio, obviously, we want to grow our Cheetos, Doritos, Tostitos, Lays, Ruffles at a very good pace, and I think we're doing that. But at the same time, we need to build healthier portfolios, brands like Off The Eaten Path or Smartfoods or PopCorners or Bare, all those brands need to grow to have a portfolio of the future, the same with our beverage portfolio with bubly or with some of the smaller brands we're creating. So that's how we're thinking about our A&M optimization. Obviously, on the nonworking, get the maximum ROI on the working part, but ensure that we can support the -- both the large brands and the smaller future brands in a way that we have a sustainable growth for the future.

Operator

Your next question comes from the line of Dara Mohsenian of Morgan Stanley.

Dara Warren Mohsenian - Morgan Stanley, Research Division - MD

So first, just a detailed question. As we look at your earnings guidance for 2021, it's in line with the long-term algorithm despite having nearly \$800 million in COVID costs in 2020 that I assume will drop off significantly. So just trying to understand why there couldn't be upside to the long-term algorithm should those costs drop off. Is there assumed reinvestment or higher commodities or other factors?

And then second, Ramon, just sort of further on the question you just answered. We did see a pretty big shift in A&M spend on the Frito side this year. Obviously, a pullback in beverage given the COVID situation. So I'd love to hear your thoughts on the ROI behind the higher spend in Frito and if you think you're getting significant incremental revenue from that or the yield on those investments as you shifted the allocation within the portfolio in 2020.

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Great. Okay. Hugh, you want to take the first part on the -- how we're thinking about the short term, long term in our algorithm?

Hugh F. Johnston - *PepsiCo, Inc. - Vice Chairman, Executive VP & CFO*

Yes, I'm happy to, Ramon. Dara, obviously, there's a lot of items that are in our P&L. We've identified the COVID costs as something we wanted to call out because it was extraordinary. There will be COVID costs in -- significant COVID costs still in 2021. So you really can't flow all of that to the bottom line. In addition to that, we are reporting some of the A&M, as Ramon mentioned, in snack food business and a bit in the beverage business as well.

But as we enter the year, given the level of uncertainty, we felt like being on long-term algorithm from a revenue and profit perspective was an appropriately -- appropriate goal for us. And I think if we hit these numbers as we expected, I think it will be a good (inaudible)

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Yes, Dara. And so that's -- we're thinking about, obviously, maximizing the short term, but not at the expense of the long term. And I think it's -- to start a year thinking about our long-term algorithm is a good way to start focusing the company on a sustainable performance for many years. So that's how we're thinking about it.

Then with regards to the marketing ROI, listen, we're getting much better at measuring the ROI on our marketing spend. And we think that, actually, we're -- based on this measurement, we're getting much better at the ROI delivery of our investments. We're putting tools and we're putting kind of performance metrics to our marketing teams. In particular, where you were saying about Frito, Frito has a very low level of advertising. I mean full A&M actually, below 4%, for a brand -- for a business that has so many multiple brands and has so much growth potential, if you think about the share of macro-snacks that we have. So I would think that -- if you think about the levers of growth for Frito in the future, I think A&M and an increased A&M should be part of it. As we think about our push model, it's pretty optimized with our DSD execution capabilities. I think on the pool side, we have opportunities probably to maximize the frequency and to maximize the consumer connection with our brands and Frito versus what we do with other -- with some other parts of our business. So that's how we'll be thinking about the A&M investments at Frito.

Operator

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

Andrea Faria Teixeira - *JPMorgan Chase & Co, Research Division - MD*

So my question is on the use of capital as you deemphasize buybacks and you're focusing more on CapEx, on investment in capacity to meet demand or perhaps M&A. So if you can comment on your capital allocation, Hugh.

And Ramon, I was positively impressed with Europe and the recovery momentum there. Is that going -- do you think it's going to go and continue to -- into 2021 and embedded in your guidance? And conversely, what are your thoughts on the deceleration in LatAm?

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Okay. Let me start with the geography part, and then Hugh can talk about the capital. The -- I would say, Europe, we're seeing different Europes. Now we're seeing Eastern Europe quite strong. I would say, Russia, extremely strong. Turkey, very strong. Some parts in Central Europe, much better. With Central Europe, I mean Germany, some of the more developed Europe. We're seeing the south of Europe, very impacted by obviously the lack of tourism and people not going there for weekends or longer vacation. So that is how we see Europe.

When we look at '21, we think, obviously, as mobility increases, we're going to see even better performance in Western Europe. And hopefully, we can continue to see the good performance in the East.

What we can see in Europe across the board is we're becoming more competitive. I think our share of market performance, both in beverages and snacks, was very good this year. So we managed to gain share almost in every single market, which is actually the metric that we're following the most in a period of time where the markets go up and down, depending on lockdowns, et cetera.

In Latin America, actually, Brazil has been very strong throughout the year. And we feel very good about our Brazilian business also in terms of share of market. But also category growth has been very, very positive in Brazil.

Mexico, at the beginning of the pandemic, we suffered a little bit in the [capital] part of our business. So the more kind of smaller fragmented trade, we saw traffic down. And that impacted our sales, given that we have a very good distribution and availability in the market. The business came back to much more solid performance in the last quarter in Mexico. And although we've been gaining share across the year, we've seen also the category recovery in Mexico. So hopefully, we see a much better performance in Mexico this year in absolute terms. Relative terms, I think we'll continue to gain share in the market.

So those are the 2 big markets in Latin America. You get a good sign from those 2.

And Hugh, do you want to talk about the capital principles that we have?

Hugh F. Johnston - *PepsiCo, Inc. - Vice Chairman, Executive VP & CFO*

Yes, happy to, Ramon. Overall, our capital allocation strategy hasn't changed. We talked about this many times. Number one, make sure that we fund the business to compete and grow; number two is dividend; number three is tuck-in M&A; and number four is share repurchase.

One and two, obviously, we've talked about in terms of our guidance. I would not expect -- from the standpoint of the third one, I would not expect much in the way of M&A as we go through the course of this year. And certainly, nothing large. So from that perspective, I think we're -- we've got a lot to digest right now. We're happy with where the portfolio sits.

And then last, in terms of share repurchase, obviously, we're trying to balance our debt rating versus our cash return to shareholders. We felt like the dividend increase was important. And at the same time, given the level of M&A that we've had over the last couple of years, balancing that out with the debt rating, we made a decision that we weren't going to have significant share repurchase in this year. That's purely based on balancing the debt rating with our return to equity shareholders. Nothing more than that driving that decision.

Operator

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

Kaamil S. Gajrawala - *Crédit Suisse AG, Research Division - MD & Research Analyst*

Would you guys mind providing some just insights on how you're looking at the commodity cost environment, where you're seeing maybe raw material inflation, and then how you plan on addressing it through pricing or mix or trade spend?

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Hugh?

Hugh F. Johnston - *PepsiCo, Inc. - Vice Chairman, Executive VP & CFO*

Yes. Yes, I'm happy to take that, Ramon.

Kaamil, obviously, there is some pressure in commodities. We're viewing commodities as manageable right now. I'll remind you that we do forward buy on areas where we can open about -- typically about 9 months ahead. But we can't forward buy on everything, and obviously, there's some inflation in certain aspects of our cost structure. That said, we view the overall mix as manageable between pricing and the balance of the P&L, such that we don't expect it to be disruptive to the algorithm this year.

Operator

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

Bryan Douglass Spillane - *BofA Securities, Research Division - MD of Equity Research*

I guess I had a follow-up question just related to Andrea's question around cash flow. And Hugh, maybe can you talk about the level -- the CapEx levels? And will they be elevated for multiple years? And then, I guess, maybe some color on just where -- like where that incremental CapEx spending is going. Is it capacity? Is it capabilities? Just try to get an understanding of whether or not we're going to be in an elevated CapEx cycle for a while and then also just where the capital is going.

Hugh F. Johnston - *PepsiCo, Inc. - Vice Chairman, Executive VP & CFO*

Yes. Ramon, would you like me to handle that one?

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Yes, please. Go ahead. I'll add to the end.

Hugh F. Johnston - *PepsiCo, Inc. - Vice Chairman, Executive VP & CFO*

Okay. Bryan, a couple of things on that. Yes, it is elevated. We sort of have been running, as you know, about 5% of sales, and now we're running a little bit north of 6%.

A couple of big drivers behind it. Number one is the IT and digitalization spending that we're doing. That will be elevated for a couple of years as we sort of get through the combination of an SAP upgrade as well as a whole variety of digitalization efforts that we have going on in our supply chain and selling system.

The second piece is primarily around growth capacity, and we expect that to be elevated for a couple of years. If you look at the way that we used to run the business, we ran capacity pretty close to the edge. And as we've pivoted to more of a growth strategy, we're taking capacity utilization down a little bit to enable us to capture more of the growth opportunities that are out there. So that's a big piece of the spin.

And then the last is productivity CapEx. As we're looking at automation and looking at putting more capabilities into the plants, that will yield cost savings. That obviously is a big driver.

So I would say I would expect the capital spending to remain elevated for the next couple of years. And then I would expect it to return back to our typical norms.

Operator

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

Laurent Daniel Grandet - *Guggenheim Securities, LLC, Research Division - Senior Analyst and MD of the Consumer & Retail Team*

And congrats on the strong end of the year. I'd like to focus my question on the energy category. So in 2020, we saw you making an aggressive move into the energy category with the acquisition of Rockstar and the agreement to distribute Bang. So could you please update us on where you stand in your journey to become a leading energy player? I'd like to understand your view on the Rockstar revamp. We saw the Super Bowl ad, but I'd like to understand a bit more than that. And obviously, your assessment of the situation with Bang, but also what are you planning to do with other brands like DEW in the energy category.

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Yes. Thank you, Laurent. Yes, good question. Listen, let's talk first about Bang quickly. We're surprised by this move by VPX and especially given that it was a very good performance by PBNA on the distribution metrics. But at the end of the day, we plan to continue being the distributor of Bang until October '23 and we're going to do our best to make that brand well distributed and -- in the marketplace.

But the core of our energy strategy was never Bang as a distribution cherry on top. It was obviously what we could do with our brands after the acquisition of Rockstar kind of free us up from some of the contractual obligations we had.

So the first pillar is obviously Rockstar. Rockstar relaunch, both in the U.S. and in expansion internationally as our core energy kind of mainstream proposition.

The -- I would say the integration of Rockstar into our supply chain is starting to happen. It's going to be a bit of a process until we get all the formulations and everything into our system. But obviously, that's going to make it a better supply chain in itself.

From the consumer point of view, we are -- so we're planning to invest in the brand. I think we found the consumer space where it's going to be a bit quite differentiated. And then we're improving the formulas and we're improving -- building different propositions for multiple spaces in that kind of mainstream energy.

At the same time, you will be seeing shortly some announcements on Mountain Dew launch in the springtime. It's going to be the first big move for Mountain Dew into the energy space. We're very happy with the way the product concept, the support package and the support we're getting from our customers in terms of the launch. So that would be a good event. It will be the first move of Mountain Dew and there will be future moves as well from Mountain Dew into the energy space.

Obviously, one of our big pillars in energy is our Starbucks partnership, which is, I think, is at an all-time high in terms of the relationship and the market performance. We continue to innovate on the kind of coffee energy, triple shots, double shots. And we have some, I think, good ideas that will -- I'm sure will make into the market shortly.

So -- and then we're looking at other brands in the sports area and some other kind of spaces within the energy management, energy up, energy down, that I think we can have multiple set of solutions and brands that drive consumer solutions in a space that is obviously growing and has a lot of consumer pool.

So it's important for us, as we said, both from the growth point of view and the margin expansion point of view. And we feel good about the steps we're taking brick by brick to build a solid foundation for us to play in energy over many years.

So that's pretty much, Laurent, and you will see more news from us in the coming weeks.

Operator

Your next question comes from the line of Vivien Azer of Cowen.

Vivien Nicole Azer - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

I was hoping that you could touch on your agreement with Beyond Meat and explain kind of the aspirations there in terms of the partnership as well as any embedded economic impacts in your 2021 guidance.

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Yes, great. Great question. Yes, as you think about -- we're creating spaces for future growth. One of them is plant-based snacking, plant-based convenient solutions. We think that Beyond Meat was the right partner in terms -- we did a lot of due diligence in terms of R&D capabilities and kind of willingness to share with us in the future. And we have high expectations for that. There should be no implication for our 2021 kind of investment or high sale is going to be still a small business for us in 2021, but we plan to be in the market within this year.

Operator

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

Lauren Rae Lieberman - *Barclays Bank PLC, Research Division - MD & Senior Research Analyst*

I was curious, as thinking back to kind of your longer-term plan, Ramon, that you laid out now almost exactly 2 years ago. Is it fair -- I think first order of business was seemingly to kind of shore up and reinvest in your bigger franchises. And I felt like the language in the prepared remarks today, there was a little bit more emphasis on stepping up the investments in the more -- the ancillary but critical growth opportunities, whether it's smaller brands or kind of healthier segments of the categories. Can you speak to the degree to which maybe the environment of the last year kind of accelerated the support you were giving to your big brands and the impact that, that really had on accelerating, I guess, your progress vis-à-vis your long-term goals? I'd be curious to hear sort of a progress report.

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Yes, that's great. Good question. Listen, if you think back and you see the growth opportunity for PepsiCo, we are -- you think about the large LRB category globally, we're about less than 10% on a \$600 billion category growing at a 4%, 5%. And pretty much the same with macro-snacks, a large

category, \$500 billion, \$600 billion globally, and we are less than 10%. So growth as a lever for the long-term value creation of these companies is clearly the #1.

As we're thinking about our growth, obviously, there is a lot of growth in our core brands. Our large core brands have a lot of opportunities, both for more penetration and for, obviously, much more frequency. So we're thinking about that pillar is critical. And we are -- I think we're well invested now in our core brands. If you think about the performance, for example, of PBNA and how brick by brick we've been able to get Pepsi to growth, Mountain Dew to growth, Gatorade to growth or to accelerated growth, while we still grow our coffees, our teas and our sparkling waters, I mean that is the growth model.

If you turn it to the snacks business, the same. You have -- we have our big core categories that play in the fun, social space. And we're building a set of brands in more, let's say, either morning or during the day solo occasions where we're less penetrated at this point. These are brands I was referring earlier, Off The Eaten Path, Smartfoods, some of the recent acquisitions like pop corners, Bare. We are building a beautiful portfolio of solutions for that -- for those spaces. That is the growth of the company long term, a well balanced growth between our core businesses and those smaller niche that one day, 10 years from now, will become the big brands.

If you think about other models that we're working, clearly, our SodaStream has been a fantastic acquisition for us. And it gives us a platform not only to have a sweet spot between better for you and better for the planet, which I think is going to be a sweet spot of growth globally, but also a new way to customize drinks. The same, we're thinking about, for example, the questions I just got, on Beyond Meat and the partnership.

So we're building a lot of future opportunities for our portfolios to grow. At the same time, we don't want to keep our eyes off what are the core brands that drive the majority of the growth in absolute dollars of this company and that have a massive runway for growth in the future.

So that gives you a sense of how we're thinking about growth, growth being our #1 value creation. Profitable growth, obviously. And I think we can do that over time by also creating those smaller spaces where I think we can enter and win in the future.

Operator

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

Kevin Michael Grundy - Jefferies LLC, Research Division - Senior VP & Equity Analyst

And congratulations on the strong year. Ramon, and Hugh, for that matter, just building off the last question around sort of balanced growth. I wanted to come back to the margin opportunity at North America beverages because this has come up still on a number of times on previous calls. In your prepared remarks today, it's been more about delivering a better balance and improving profitability. Last quarter, I think, it seemed to me, at least the tone was more on improving profitability. So I'm just -- I just want to get a better understanding here of the current commodity cost environment, which you commented on a moment ago, as well as the spending intentions of your key competitor, because one would argue that they've probably never been more constrained than they have been this past year. So I'm just curious if this will be another year of sort of really limited margin enhancement given these factors at North America beverages and want to get a better understanding of how big a priority this is for the organization? And then when can we expect to return to this sort of elusive mid-teens operating margin?

Ramon Luis Laguarta - PepsiCo, Inc. - Chairman & CEO

Great. So let me take it first, and then Hugh can add.

I think when we -- I think the conversations we started about a couple of years ago was we want to make sure that we got PBNA to be a growth engine. And I think brick by brick, we've been able to build a -- kind of make sure our brands are all growth brands. And I think we're there. In the latest quarter, a 5-plus growth shows that. Okay, we're -- most of our brands are performing at a very good level. That was critical because we

thought that there's no way to cut your costs in a way that is sustainable. So now we have, I think, a good machine that has the right local execution capabilities and the good brands and innovation.

Now we have the intentions to work, obviously, on the margin expansion of PBNA. That is a priority for us, a priority for the business. We see this business long term at mid-teens. We want to do it in a sustainable way, where we keep growing with the category and expand our margins. And we have, obviously, ideas on how do we pivot to categories, segments of the category that are highly more profitable, how we get better at selling the right pack in the right place at the right price, so our revenue management capabilities. We have a lot of cost opportunities in the end-to-end supply chain management and also the way we support the business, some of our G&A expenses, and a little bit on our A&M, as you mentioned, optimization. So all of that should give us the opportunities to continue to grow, add the category above and it's starting to expand the margins. This year should be a year where you see already some movement in that regard. And as I said earlier, we see this business getting into the teens margins over the long run without sacrificing competitive performance.

Operator

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

Sunil Harshad Modi - RBC Capital Markets, Research Division - MD of Tobacco, Household Products and Beverages & Lead Consumer Staples Analyst

Ramon, I was hoping you could just talk about what's going on at retail in terms of assortment, SKU management at the retail level, because it seems like retailers are finally starting to focus on higher velocity items and really trying to simplify their shelves because they all learned the lessons of COVID and not having enough stock of higher-turning brands. So just wanted to get your perspective on that. And some of the things we've heard from retailers about Quaker has been under a little bit of space pressure. So just hoping you can provide some clarity there.

Ramon Luis Laguarda - PepsiCo, Inc. - Chairman & CEO

Yes. I think, listen, obviously, we all had to take a look at our supply chain, right, during this year because we -- it's been a challenging year from the supply chain point of view given the number of infected people that we had in our supply chain and so on. So simplifying our portfolios has been a solution to continue to have elevated levels of supply to our customers, which has been our focus.

I think as we go forward and consumers move back to more of a -- a bit of -- more of a normal life and physical stores continue to be a meaningful part of their shopping experience, I think consumers will go back to experimenting a little bit more, and they will be looking for innovation and smaller SKUs. So I think we're going to see a small -- slow return back to bit more complex portfolios. But I think we've all learned that maybe the tail of the portfolio was not really delivering the returns that we needed to have for every SKU that we had in the marketplace. So I think there's going to be an optimization of the portfolios but an increasing complexity as well versus what we have today given that the consumers will be asking for a bit more experimentation and especially in our categories where variety is a key driver of purchase.

Operator

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

Stephen Robert R. Powers - Deutsche Bank AG, Research Division - Research Analyst

Maybe just 2 things. First, Hugh, if you could -- given the higher CapEx that you mentioned, just your thoughts on free cash flow and free cash flow conversion for the year. I guess I'm thinking that around about 80% free cash flow conversion is a reasonable place to start for the year, consistent with 2020. But just any thoughts you might have as to why that could be materially higher or lower.

And then, Ramon, I just -- I guess, maybe can you talk a little bit about the Gatorade franchise. It had a really strong 2020 behind Zero and other initiatives. And I'm curious to how you're thinking about it into '21. And maybe as part of that, you mentioned kind of a sports energy convergence in your answer to Laurent's question. And it looks to me like you're increasingly positioning Bolt24 to play in that area. So maybe you could talk a little bit more about how those lines may be blurring.

Ramon Luis Laguarda - *PepsiCo, Inc. - Chairman & CEO*

Okay. Hugh, do you want to...

Hugh F. Johnston - *PepsiCo, Inc. - Vice Chairman, Executive VP & CFO*

Yes. I'll jump in on this. Obviously, Steve, we didn't give specific cash flow guidance. But I think, generally speaking, the profile of our cash flow will be similar to what you saw in 2020.

Ramon Luis Laguarda - *PepsiCo, Inc. - Chairman & CEO*

Great. No, hold on, let me just say a few words on the Gatorade. I think Gatorade, we're seeing Gatorade clearly growing very fast. Part of it is our innovation, especially Zero has been an amazing innovation. It's crossed the \$1 billion retail sales value already for a year. I mean that's a meaningful, sizable innovation. And we're seeing, obviously, people exercising more. And obviously, that's helping us drive additional consumption.

As we think about the future of Gatorade, we couldn't be more excited about what we see. Obviously, moving into other spaces, like I said, natural, obviously you mentioned energy, those could be spaces. But where we see the biggest opportunity for Gatorade is in creating more of a personalized solutions for athletes and kind of amateur athletes, like most of us, and creating a much more engaged relationship where we become advisers of the athletes, of their hydration needs, of all their nutrition needs and we see an opportunity to create much more of a full ecosystem of engagement with the consumer. We provide solutions, we provide products and we provide information. And I think that's the real future of Gatorade, which is a massive brand that has so much trust from consumers. I think we can leverage that trust in providing much more than just a liquid hydration.

Operator

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

Robert Edward Ottenstein - *Evercore ISI Institutional Equities, Research Division - Senior MD, Head of Global Beverages Research & Fundamental Research Analyst*

Great. Just first a follow-up question on energy. And that is, can you talk about, as you look at your guidance for 2021, how much does your energy strategy bear into it? What is the impact that you're modeling for Rockstar and Mountain Dew on your 2021 guidance? So that's the -- just kind of follow-up question.

And then the bigger picture question is, how do you assess the impact of people staying -- spending more time at home on the snacks business? How much increased demand did you see in 2020 from that, particularly in the U.S. and the likelihood of that continuing?

Ramon Luis Laguarda - *PepsiCo, Inc. - Chairman & CEO*

Hugh, do you want to start with the energy?

Hugh F. Johnston - *PepsiCo, Inc. - Vice Chairman, Executive VP & CFO*

Energy, yes, happy to. Robert, in terms of being one of the impact items for PBNA, clearly, the energy strategy is important to us. And that's broad based. It's Rockstar. It's what we might do with Mountain Dew. And obviously, Bang is a bit of a contributor as well.

In terms of overall PepsiCo, yes, it matters but I wouldn't call it a make-or-break type of item for the company this year. If things don't go as well as we expect, I think we've got enough of other levers that will be fine. It's important for PBNA, to be sure.

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Yes. And on the impact of the kind of the new mobility habits on snacks, I would say we've lost a lot of high-profit volume in both the convenience channel and the away-from-home channel. I mean, we always talk about beverages, but snacks had a pretty good impulse and away-from-home opportunity that we've lost, and that was high margin.

On the opposite side, we're obviously seeing more consumption at home, both on kind of indulgence in terms of kind of at the end of the day, there's -- people need a break or during the day some breaks, and we're seeing more solo consumption, so more multipack, small portion formats. At the end, probably a bit of a net positive for the category, but not massively in terms of what we're seeing across the world. Maybe a bit more developed -- in developed markets where we have more in-home consumption, maybe a more positive impact. But in developing markets where there's more of an away-from-home consumption, a negative impact. So that's how full company, those are the drivers, depending on the -- how the per cap -- per capita consumption is built between in-home and out-home and the different occasions.

Operator

Your final question comes from the line of Chris Carey of Wells Fargo Securities.

Christopher Michael Carey - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

So I just wanted to follow up a little bit on PBNA and specifically around pricing and promotion, right? So 3 quarters running of strong net pricing in the division. And I guess -- and you can see this showing up in the data as well. I mean, are you getting more comfortable around the concepts of using price as more of a lever in PBNA over time?

And then maybe specifically, we're at record low promotions across the categories, including for your portfolio in North America. Do you think that you can keep these promotional levels lower as a strategy? And just in general, how sustainable do you think these low promotions are? Or whether we're going to see some sort of reversal in 2021 and that's factored in your outlook?

Ramon Luis Laguarta - *PepsiCo, Inc. - Chairman & CEO*

Yes, I think strategically, we see in the beverage category, trying to understand better the consumer and give the consumer what he or she needs for every occasion with the right pack and the right price. That's a huge lever of growth for our partners, retail partners and for us. So trying to build kind of a profitable growth along the lines of the value we create for the consumer, for the particular occasion, that's a big driver of opportunity. I think we have -- we're getting better at that at PBNA and globally across the world, understanding the -- really the drivers of every occasion and what is best, what is the portion, what is the sizing, what is the -- what will drive purchasing and consumption. So that's our strategic driver.

In terms of the promotional effort, I think we've simplified promotional calendars with our customers everywhere, given the simplification of the supply chain that we had to do. I think we've all learned that there are some opportunities there, but I'm sure there will be a little bit of additional promotional efforts as the world opens up again. But I think we've all learned that the relative price of the beverage category in some formats in the U.S., even you compare to other markets around the world, was very, very low. So I think we -- there is a strategic journey to make this category

a bit more higher valued in general terms. And that's the journey that we are all in. And that will obviously drive additional value for our retail partners and for ourselves.

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I would now like to turn the call back over to Ramon Laguarta for any closing remarks.

Ramon Luis Laguarta - PepsiCo, Inc. - Chairman & CEO

Yes. Yes, I wanted to thank you, all of you, for your support during the year and for your investments in PepsiCo. And hopefully, everybody stays safe and all the best to all of you. Thank you.

Operator

Thank you for participating in PepsiCo's fourth quarter earnings question-and-answer session. You may now disconnect your lines, and have a wonderful day.

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