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The Pepsi Bottling Group Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Our first question today is coming from Bill Pecoriello - Morgan Stanley.

Bill Pecoriello - Morgan Stanley

Good morning, everybody. If you could in the cold channel performance break apart the foodservice versus the C&G that you referred to in Q1 and then talk about kind of your outlook into the second quarter as you've moderated your overall volume outlook? Are you still expecting the cold channel down? If it is and that's still impacting the mix, are you offsetting that with more rate to get that higher 4% revenue per case that you are guiding to? Thanks

Robert King

A quick heads up on cold drink. So in the U.S., I think we told you that our total cold drink business was down 3% and 1 point of that was due to the full service vending remediation program, netting us to really a base business deterioration of 2%. So foodservice was disproportionately the drag on our business, that's 60% of our business, and our foodservice cold drink business was actually down in the mid single-digit range.

Our C&G business, encouragingly, was actually flat versus prior years so we feel pretty good based on just the overall market condition that C&G cold drink was flat and that's clearly a sequential improvement over where we've been for the past couple of quarters.

We obviously have plans in place to continue to try and improve our cold drink performance ranging from better innovation in the second quarter as our innovation calendar continues to unfold, continuing to leverage execution and continuing to leverage promotion and value in the marketplace. We would assume that cold drink would still probably be under pressure for the foreseeable future and we've taken that into consideration as we look at our balance of the year forecast.

Bill Pecoriello - Morgan Stanley

So just to follow up on the revenue per case and the net impact of that, in this quarter you had the negative 2% mix, 3% rate to get the 4%. You were expecting less mix drag, but also some more rate over the summer?

Robert King

The answer would be yes. I think AI mentioned that our revenue per case range would be up about 4%. In December we told you that our rate would be up around 3 points. So we do look to see a little bit better rate performance in the marketplace. We've actually taken those actions already and we're starting to feel good about the way our revenue and margin is unfolding in the marketplace as we speak.

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