

BARCLAYS CAPITAL INC.

Moderator: Lauren Lieberman
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OPERATOR: This is Conference #: 4258465

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Q&A with Coca-Cola Company CFO John Murphy.

At this time all participants are in a listen-only mode. As a reminder, this call is open only for Barclays' clients and Barclays' employees, except employees in investment banking.

Please be advised that today's conference is being recorded. If you require any further assistance, please press "star," "0." I would now like to hand to the conference over to your speaker today, Lauren Lieberman, the HPC and Beverages Analyst at Barclays.

Lauren Lieberman: Great. Thanks (Lori). Thank you John and also we have Tim Leveridge on the line. Thank you both so much for doing this call. It's a great opportunity to hear directly from you with all the volatility that's been out there, the challenging environment that we're in, it will be great to get some perspective on how the Coca-Cola Company is managing or plans to manage through this time.

So, John, I just thought I would start kind of on that – on that theme. An incredibly complex situation to navigate, you're being tasked with balancing both the financial health of the company and the health of its employees.

So, maybe we can start with kind of the high levels, the most important things, which is how is Coke addressing workplace safety? How is the organization sort of adjusting to the different ways of working during the outbreak? And what has the message been from senior management to the organization to front line workers and to the communities be served globally?

John Murphy: Thanks Lauren and thanks to everybody for joining us. Let me make a few comments on that opening question. Our – the safety and security of our people is first and foremost our priority, and I think it's really important that we distinguish between the different kinds of workers that we have.

We have the – our office workers are all working remotely, not only here in the United States, but around the world. But we also have both ourselves directly and our (bottling) partners have many people who continue to be on the front line.

So, working as a community to make sure that their health and welfare is of paramount importance during this time is a critical priority, making sure that we've got the right sanitation procedures, the right equipment, masks, et cetera, in our production facilities and the right response mechanisms in place for those who do need help is and has been a priority.

And it's so gratifying to hear stories from all around the world through our (bottling) partners, with our own people on the degree to which they're coming together as a community and working while we're – while we're further apart physically, I think we're closer together emotionally and from a just prioritization of what's important at this time.

And working remotely has been, I'm sure for all of you too, has been quite the – quite the learning over the last 10 days or so. One of the positive aspects of it from our perspective has been a degree to which our digital infrastructure, which is now in the cloud, it's the work that's been underway for the last couple of years, has been a big advantage to enabling us to expand our communication capabilities and in all parts of the company. So, that's been a positive.

And just to – just to be able to connect with small groups or large groups of people in a pretty seamless manner is working well. I think it's also, just as part of this question, Lauren, it's also important, I think, to acknowledge that if consistent with the – with our overall (leaders), we also are very cognizant of the role that we play in our communities and in that regard not only here in Atlanta in the United States, but all around the world, we are stepping up to play our part in supporting governments, health services, et cetera, either through financial assistance where appropriate, (further) donations and other types of help as needed.

The communications protocols that we have in place continue to evolve as we – as we learn more we get more feedback and input, but I think the headline is over communicate. Nobody is going to be critical of you trying to be too close to them in this time. And I think that's the approach that we're taking, starting with (James), whether it's through broadbands, video communications, one-on-ones or somewhere in between, it's something I think that we're prioritizing.

Yesterday, for example, we had a call with all of our operators around the world, there were 115 people, I think, on the call and it's a great way for us to make sure that we have consistent messaging and the opportunity to hear very real time what's happening in the world, because it's a fluid situation, as you know, market-to-market.

Lauren Lieberman: And so, on a call like that, I would think, you know, you've got the business continuity, contingency plans concerns is a critical topic. So, are there kind of key headlines that you might share on that front, on Coke's ability to execute through this, the contingency planning? And I guess, in particular, and highest level would be any risk to concentrate supply given the structure of your supply chain on that front?

John Murphy: Yes, good question. The – I think the first headline is to ruthlessly prioritize. We were talking with Manolo yesterday, who runs our Asia-Pacific business, and he made a good point, if you can – if you – three priorities are better than four and two are better than three. So, been really, really clear as to what's

urgent and important as an overarching theme is something that we're pushing.

Secondly, when it comes to business continuity, we – as I mentioned in the last question, our people's welfare and safety continues to be a number one area for us to actively manage. Secondly, our supply chain, our end-to-end supply chain, not only the company's, but also as we work with our bottlers, and Nancy Quan, who heads up our technical group, is – she and her team have developed a dynamic global dashboard in which we can see by operating group and right down to the market level, and an updated assessment, which is fed from the markets on how we're doing with respect to sourcing, with respect to manufacturing and with respect to distribution.

So, we have a green, yellow, red dashboard set up to be well versed in what's happening. Right now the – I'm happy to say that the supply chain is holding up very well for the most part. The situation in China has improved a lot over the last two or three weeks. All of our plants and most of our supplier's capabilities are back up and running.

The biggest challenge that we see in the coming weeks is with regard to order restrictions in certain parts of the world. And some prioritization by governments on the movement of certain goods. So, that's an area that we're working through on a case-by-case basis. But for right now it's overall we feel – we feel pretty good about the overall health of the – of the supply chain and the business continuity approach that we are – we are taking.

Lauren Lieberman: OK, great. I'm going to switch to talk a little bit about revenue. The way that many people have been thinking about implications and social distancing, lockdown, for companies particularly across (beverages), have been just thinking that this on-premise versus off-premise (mix). So, could you talk a little bit about Coca-Cola's exposures, how this might vary by geography and then kind of the relative profitability of the various channels?

John Murphy: Sure. The on-premise, off-premise dynamic is real and it's one that we have – we have a super focus on at the moment. And it does – it does need – it does

need to be – to be looked on a market-by-market basis, because the dynamics do vary. You have seen reports talking about, at a global level, a 40 percent – 40/60 split between on-premise and off-premise. But in some markets it's a lot less. In Mexico it would be around 20/80, and there's a couple of markets in Korea, for example, that would be more like 60/40. So, I think it's important that we understand the dynamics on a case-by-case basis.

Secondly, with regards to the broader dynamics, the way in which governments and here in the United States, individual states are managing the crisis is also – also has an impact and that is – in some places there is more of a lockdown than others. And so, the impact to on-premise happens sharper and the degree to which home pantry building takes place also varies somewhat in accordance with more traditional habits that shoppers and consumers have.

So for example, here in the United States we're seeing a – an extended pantry load-up, because the pantry's are bigger and I think the amount of consumption at home seems to be – seems to be higher. So, that would – that would compare with markets where there would not be as much disposable income, and therefore there would not be the same capability to build up – but build up at home.

To summarize, we're very cognizant of the fact that in the short-term there will be an impact. There's no question the degree to which we will be able to continue to load up at home and to – and make sure that we deliver to supermarkets particularly will help, but it will not fully offset the impact that we're going to see in the coming weeks in different parts of the world as the – as the virus passes through.

Yes, I think – I think that's – any follow ups on that, Lauren? Was that good?

Lauren Lieberman: Yes. I think that – I mean, I think – so I guess for markets where we do have some examples already of developed markets in Europe where there wouldn't have been room to see kind of a surge and demand in take-home channels, are you seeing that as sustainable? I mean, not – just as we're in the middle of a crisis or is it feeling more like a pantry load that then gets worked

through or is it sort of a sustained pick up as people are staying in almost so we can think about what that cure might look like in the U.S. as we're kind of earlier stages?

John Murphy: Yes, I think it's still – it's still very early in the process to be able to give you a definitive picture on that. I think what we – what we do see in general terms is there is a wave of pantry build up that's then followed through by ongoing purchases. The degree to which those ongoing purchases continue to be ahead of the norm in the at-home, as I say, is linked to government policy on a market-by-market basis.

In Western Europe with the – with the increasing actions taken across the continent towards more of a lockdown strategy, we certainly would expect in Q2 for that to – that to be felt. And here in the United States, as I say, it seems to vary not only state-by-state but even within a state. Here in Georgia, the approach of the Atlanta city is different than the approach of the state, so I think we've got to be able to factor those in. And it's just too early at this stage to give you a clear picture. It's something we should have more data ahead of the Q1 call.

Lauren Lieberman: OK, great. And then just what about also – the (inaudible) question was the margin implications or the profit differential between kind of on-premise and off-premise?

John Murphy: Yes, I think in general terms, on-premise is more profitable than off-premise in general terms by a factor about 1.2, so that would be a general statement. I think, again, we've got to take into account the specifics of a market, the actions that we are taking with our bottling partners in the market to manage through this.

Before we would land on, OK, here's what the conclusion should be, so I would – I would defer until we have, let's say, another month of data before we would be in a position to give you a clear assessment on that.

Lauren Lieberman: OK. I know it might seem premature to think about today. We will be – there will be another side to this crisis. And so, assuming we're in a pretty significant recession in most of the world, can you just share a little bit how does your business tend to perform in the economic downturn? Arguably (it's higher Coke system in a far) better place than (what it came for in the) '08-'09 timeframe but maybe using that period as a reference point for how the business holds in during that type of economic environment?

John Murphy: Yes, we – first and foremost, I agree. I think it's important to acknowledge the health of the system as we came out of 2019 and even as we started 2020 with really good momentum in all of our operating groups is – will prove to be a benefit. I think the healthier you are coming into something as this the better you can – you can manage through it. So that's the first point I think I'd like to reinforce.

Secondly, we've had – we've had, as I'm sure everybody else has, we've had modeling out the wazoo in the last few weeks to understand what can history teach us with respect to the likely outcomes from this. And going right back tapping into our archives going right back to the 1918 Spanish Flu through the world wars, the 1957 flu, the crisis and the oil crisis, the et cetera, et cetera going right through to 2008 to today.

History tells us that there is typically more of a V-shaped recovery from these significant shocks, and if that's the case, we'll be I think very well positioned to participate in that. I think it's also important, though, that we have a clear understanding to your question on more of a U-shaped recovery or, indeed, an L-shaped recovery that would be followed by an uptick.

And I think – I think we're well-positioned at the moment to come out of either one of those ultimately stronger. It'll be a timing impact more than anything else. I think our – the company and our bottling partners are well-capitalized. I think we have a very clear understanding as to the levers that we have to (pull) and a degree of coordination to pull them in a core – in a connected fashion.

And we've got less than – we're in a unique situation I think where we have just tremendous expertise and experience resident in the system. This morning we had – as an example, we had a two-hour phone call with 90 representatives from the company and our bottling partners, including all of the key CEOs from Europe, from Asia, from North America, Africa in which we had the opportunity to share what we're learning and to make sure that we're all able to operate as a global community, and I think that will stand to us as we work through this regardless of the outcome of the curve.

Lauren Lieberman: Is there anything on that front that you are doing almost proactively knowing that you've now got some (inaudible) learnings out of China? Maybe too early to say the same with Italy, but again, just seeing it developed in the western market versus where China is on that development curve, sort of proactive steps that you can take in markets that are earlier on in this that the system is sort of doing, again, on a more proactive rather than reactive basis?

John Murphy: The short answer is yes. Let me just maybe share with you some of the lessons from the early lessons from China and maybe then talk a bit about Italy because that's the other area that we have been in crisis more for a little bit longer.

A few – a few simple takeaways from China, it's really important to ruthlessly prioritize our supply chain outputs in this period, and in that regard a focus on our big sparkling brands, our juice brands, and our water brands take precedence, but for anybody who doesn't see their favorite tea SKU or their favorite whatever – their favorite tonic water, although in Europe that's actually flying off the shelves because there's a rumor that it's good for you in moments like this.

It's because we are – we are deliberately taking a very, very focused position on what to produce. It helps free up the supply chain enormously, so that's number one. Number two, talking about the supply chain is – it's have an end-to-end supply chain plan together with our bottling partners.

Going back to the China situation in early January, we had – in the second

week of January we had a global supply – a global procurement crisis management team set up to understand that potential risks to supply from China, and that has evolved into taking a very dynamic view of what’s happening around the world.

Third is to – is to be prepared for a significant upsurge in ecommerce activity. There’s a lot of people who have never ordered online, especially their groceries, who are now doing so. And the demand that came through that channel in China in February, March even for a market that’s probably ahead of the curve relative to the rest of the world was outstanding.

We sometimes going back to history, the birth of Alibaba and some of the other big e-tailors in China was linked to some of the SARS and some of the outbreaks they’ve had, so we would expect that to become not just a short-term phenomenon but to carry forward as we – as we get passed this.

Keeping a simple system scorecard on the key variables is another really important learning so that we’re all working on the things that are in the urgent and important quadrant.

And then last but not least is – I think I’ve already mentioned it is over communication to all of our key stakeholders. It’s really important that we have a both an external and internal perspective on this.

In all countries that we operate in it’s really important that we are well coordinated with government so that our business is designated as an essential service, which we believe it should be.

Hydration through this period is really important and so we’ve worked very successfully so far around the world. But sharing all of that in advance to markets who have not yet experience it is proving to be extremely helpful.

In the case of Italy, a couple of additional comments that have come up that – even inside of the at home channels, we’ve seen in Italy, a pretty significant shift from shopping in hyper markets to super markets, because of the restrictions of movement.

And so that's been something that our bottling team in Italy, Coca-Cola Hellenic is our bottler in Italy and they've been really, really focused on – they've also been able to adapt to put more direct store delivery into their – into their supply process and have the capability to do so.

So this – (inaudible) lot's of – lot's of good learning's coming through; we're now in the case of China, we're now seeing what it's like – what the recovery period starts to look like.

As I say, all of our production facilities are open in China; including Wuhan where they – the center of the epidemic was, we opened up in the middle of last week. The distribution centers are opened.

And we're seeing is then a return to the – to the retail environment; eating and drinking is one that's not as prevalent, not as big a part of the mix there, but we're seeing that slowly recovering. I think one of the things to have as a watch out is the number of small outfits that will not open as a result of this, given their liquidity situation.

And so being very sensitive to how the market constitutes itself is something that the team's in China are working closely on and sharing with us as they learn more.

Lauren Lieberman: OK, all right, great. I wanted – let me shift a little bit more to talk about cost structure and managing the P&L through the – so first (inaudible) to go back for a second to be on premise versus off premise question.

Just thinking about mechanics of that given concentrate versus finished product, is there anything that we should be taking into account as we think through how to manage the puts and takes from that shifting mix?

John Murphy: Yes, I think from a cost – a cost perspective it's super important to have a very well-versed understanding of what's variable versus fixed, what's committed versus not committed.

And our bottling partners are tremendously well versed in this area, they don't – it's not just – they're not just starting to do it because we're in a crisis, it's

part and parcel of how they – of how they manage their business on a day to day basis.

So I'm very confident that they are making and will make good decisions to help us through this initial down turn, but also to be ready there when we get to the recovery phase. So there's a lot of variable expense associated with the on premise given the structure of that – of that business.

We do have in the CapEx arena, we do have as you know – we do have an ongoing investment in equipment. Clearly that's an area that's going to be paused to the extent that we need to until it's appropriate to turn it back on again.

And so I think we're very clear on the levers and the degree of which we can, as I say, protect ourselves as much as we can, in the short term, while we don't overdo it and not be ready to come out of this when the recovery happens.

Lauren Lieberman: OK and I think earlier you specifically talked about actions taking – you're taking with the bottling partners.

So I guess if you could be a little bit more specific there on what can be delayed, how much of that is more investment than infrastructure and route to market versus marketing and sort of other in market support.

John Murphy: Sure, maybe a couple of over arching comments and then I'll talk about some specifics. Comment number one is that, this is – this is not a time for democracy to reign when it comes to decision making on cost management, so we're taking a much more directive approach and I'm happy to say, in a way that's been very well received by our people around the world.

So that's – that would be part number one; and then part number two is – and you will not be surprised, Lauren (let) me saying this, but cash is super, super important to prioritize and that goes for both ourselves and our bottling partners.

So underneath that as we – as we look at actions that we’re taking to manage what I – let’s say the second quarter and then actions that we are taking to be best positioned for the second half of the year; depending on what that – what that may look like.

We’ve got a very clear set of guidelines on our approach to marketing. Marketing, advertising in Italy or in Spain at the moment is not a huge reason to do that, or a huge return on investment.

So we are working very, very closely with our bottling partners on making the right decisions to curtail, pause or cut investments and some – and I think the guidance from here is to be – if you think it’s extreme, go one step further. It’s important that we really push the envelope on this, so that’s part one.

And then part two with – as we think about the second half of the year is to be ready to adapt. This can go either way in the second half of the year as we’ve seen in the past curves.

And so we don’t want to be caught flat footed if – in the event that it goes to a V-shaped recovery and we’re not ready to support the market. So, I think having market-by-market assessments in a very dynamic way and then the – creating the flexibility and the variability to take actions quickly. So, compress the time between a decision and the impact that it has is a key – is a key area of focus.

And then our operating expense environment, it’s linked to our overarching priority to support our people. We will continue to do so. But any non-essential expenses are being all looked at and looked at very closely. And either paused or stopped.

And similarly with CapEx, we have a – we have a mandate to pause everything and yet recognizing that there will be areas in the business that are on different, just in different phase, where we will look on a case-by-case basis at what’s needed. If we need to invest for a regulatory reason, we’re obviously going to do so, but if it’s for a growth reason, well, maybe we should just pause until we have a clearer picture.

So, very, very clear guidance. Very coordinated with our bottling partners and building the appropriate flexibility to make sure that we make good decisions depending on how we see the curve come out in Q3 and Q4.

Lauren Lieberman: OK, that's super helpful. OK, do – are you willing to share kind of the – from a care standpoint, sort of what that fixed versus variable mix might be on SG&A?

John Murphy: And I missed the first. Can you say that again?

Lauren Lieberman: From a – from a KO perspective, would you be willing to share roughly fixed versus variable cost for KO?

John Murphy: Sure.

Lauren Lieberman: And if ...

John Murphy: Yes, I'd like – look, I think – I think you can take about three-quarters of our operating expenses are people related. And within that, the – I would bucket maybe within that three-quarters about 80 percent of it would be on the fixed side, assuming we hold onto our people, which is our current intention.

And then, so we've got – we've got some flex in there on uncertain cost items that we are looking very closely at. And then about 25 percent – 20-25 percent is more – is more variable, business travel, services, et cetera, and they're the areas that we have a laser sharp focus on at the moment.

Lauren Lieberman: That's great. Let me stick with system questions. So, how – you know, we talked about the bottlers, or the approach that they know what to do, the sort of directive from Atlanta, if you will. How should we think, though, about counter party risks? Some of your bottling partners are more capital intensive, obviously. How should we think about that through this demand shock?

John Murphy: Yes, well the first thing I would point you to, is to the fact that as you know, a significant percentage of our system today is in the hands of public companies in of their own right. When you look at their balance sheets and their key

ratios, you'll see that they are – they are in a healthy position. I think that's the first point. Secondly, as we continue an ongoing dialogue (with them, today's) we are confident they have the resources to manage through this.

Thirdly, if we look historically, there's always somebody who's going to have a problem or a challenge and it's in our nature to be supportive, and so on a case by case, depending on the situation, we'll certainly be in the right dialogue and take the appropriate actions.

But I think it's important to really – as you think though the bottling system (to segment this) into its component pieces and recognize that a significant percentage of our bottling system today is in the hands of well capitalized, well funded and extremely well run companies.

I take my hat off to the CEOs of those large companies within we're in dialogue and the degree to which they are managing through the situation. But we will have, I'm sure before this is all over, we will have cases for – there will be some help required, but I think that will be more on the – very much in the minority.

Lauren Lieberman: OK. And it sounds like also that where that arises, you (were sent) today (as if it's) more likely kind of smaller external partners, so in terms of the stress to the KO balance sheet, as a result, it's on the smaller order of magnitude side of things, and I guess also as a follow-up, what type of scenario would kind of lead to KO needing to step in to also support?

John Murphy: Yes, so I think your second question is a very open – is an open-ended question with the deserved open ended answer. A worst case scenario will lead to very – I think very – a range of options on the table. Until we see that in the – on the horizon, which right now we don't, based on what I just said in my last set of remarks, we have a very clear game plan working with them. And the kinds of support would be – will vary.

Right now, there's no – we're not even close to conversations on the need to interject in financially, but we have, as I say, a very dynamic situation and as it develops, I know we'll take the right actions as we've always done in the past.

Lauren Lieberman: OK. Let's shift to currency. A pretty sharp move in the last few weeks, if you could just give us an update on kind of – a reminder on hedge position for 2020, both on revenue and profit, and just how we should think about P&L impacts from the moves we seen (of late)?

John Murphy: Sure, just let me make sure I don't say anything that's not current. So obviously we've seen (spot rate) movements move much, much more beyond the range than we had previously anticipated when we guided in our February call. And we continue to be very, very focused on implications to those movements.

With regard to our current hedging position, specifically as we think about 2020, we do have some hedging gains so far, but they're not really that material. For the total company, we have now hedged about 55 percent of our net income for the rest of 2020. And (clearly) as we've discussed in the past, an outsized portion of that is with our developed G10 currencies where we hedged the majority of our net income for the rest of 2020.

The emerging and developing market exposure is – it continues to be a very fluid area and I think it's going to sort of be very tough in the short term as the actions taken by various governments and Fed bodies around the world are absorbed by the (markets) and consequently will reflect in the risk.

So all in all, I think we're seeing relative to (spot rates) we certainly have some further headwinds and will guide in more detail when we have our first quarter call and see how the markets look at that stage.

Lauren Lieberman: OK. And then just (again) for what the backdrop of the F.X. weakness relative to the dollar, is there any thought about price action on concentrate to help offset some of these F.X. headwinds, because they're awfully severe?

John Murphy: Yes. So as we've highlighted in the past, there's sometimes a dislocation between inflationary moves at the local markets and what happens (in) the global currency market. So the pricing dynamics right now (are) actually (been) somewhat superseded with our bottling partners and making sure that

we have continuity of supply, making sure that we are in the position to maximize that whole area, market by market.

And most of the pricing actions are – will be linked more with local market conditions in the short term than any overriding decisions that we would drive globally. And I think that's the right focus to have as we work our way through this.

We also continue, Lauren, I think it's an important additional point, as we rationalize and prioritize our SKUs in the market; we're also doing that with our RGM lens on with our partners. And I think some of the capabilities and expertise that we have been building around the world in this arena is helpful.

I think we're seeing probably in some channels (in) some markets, more price inelasticity than you would typically and so having a very clear and surgical view on the needs for promotional support, et cetera, is also very much on the agenda, and those markets for that is a big item.

Lauren Lieberman: And how quickly (I was actually going to go there later), but how quickly can you make adjustments to the promotional calendar?

John Murphy: It's – sometimes it's channel ad customer driven. In the – (inaudible) the more traditional mom and pop channels, those decisions can be made very quickly. In the supermarket channels, sometimes what's in (flight) at the moment has been (negotiated some time back). So I think what the – in the case of, for example, of the U.S., I know the U.S. team is working closely with all of our customers on aligning on the right action.

So I think as we navigate through this period, there will be a compression of time, but I can't say from (X this to Y this exactly) because it's going to be somewhat customer and channel dependent.

And internationally, I think it's a lot faster with the exception of one or two markets, and as I've said, in Western Europe, Japan may also be an exception in that regard, but in many of the markets where the business is more in the developing mode and that compression of time from decision to action is pretty short.

Lauren Lieberman: OK, great. Let's – I want to switch gears and talk about cash flow and balance sheet. So (from) you raising 5 billion in debt – (inaudible) Friday, I guess should be sufficient (as ever, maturity) (inaudible) was here and you have some additional cash on the balance sheet. But beyond that, you've been a pretty active user of commercial paper.

So how readily have you been able to access the commercial paper market? (I'm thinking) Europe remains tight, if not (quote, bold). So perspective on (any) commercial paper (assets, if you can, that would be great).

John Murphy: Sure. A lot of our focus last week, somewhat in anticipation of the markets being quite difficult was to make sure that we are – we have what we need regardless of the scenario. And so coming out of last week's work with our treasury team, I am very confident that we are well positioned to manage through any scenario in the – through the year and indeed into the early part of next year.

Regarding the commercial paper market it has been difficult, as you know, but again if you look back on history, go back to 2008, go back to those other periods the commercial paper market has not been closed for an extended period. So I do think that we keep a very close eye on opportunities as they arise and – but right now we're confident with where we are and we feel as if we are well positioned to manage (really) multiple scenarios that could be thrown at us in the second half of the year.

I think it's important to comment in this regard that our debt management is (really) linked to our overall capital allocation framework and we talked in CAGNY about our four priorities around investing in the business, supporting the dividends, continuing to increase the dividends, opportunistic M&A and excess cash being used for share repurchasing. I can – you're not going to be surprised to hear me say that we – items one and two are very much the priority. And item three and four are a distance next set of priority. So, that's something we are very aligned on.

Lauren Lieberman: OK, all right, great. And just to really hammer it home at this point with the capital raise last week, cash, (inaudible) investments, (markable) securities

you've got enough liquidity, at least (near) year end even early '21 even if access to commercial paper becomes more restrained or remains as restrained as it may be right now?

John Murphy: Yes, we do. We have – not only do we have the debt issuance to support us we also have other means as well that cash on hand we've got access, we've got very good partners with a number of the banks. So we feel very confident that we're in a good position.

Lauren Lieberman: OK, great. So let's turn this more constructive again, maybe. You mentioned revenue growth management and when we think revenue growth management has been almost more recently over the last couple of months more often described as a way to drive – is it a positive driver in terms of price (inaudible)? So the portfolio, when we're in beneficial economic times and know it's also been a great tool on the other side of things in more challenged environments.

So, could you talk a little bit about how revenue growth management might start to play in or already is as consumers become a bit constrained, (shift easy) in the mix. The models a – as robust on the other side of the fence, you know you've been building them up on how do we build price mix. How do we think about it in (deliverability) to protect volume and brand health in a tougher time?

John Murphy: Yes, so I think fortunately or unfortunately not every market in the last couple of years has been all rosy, there have been a number of markets around the world, in Latin America and South Africa has been very challenging and '18 and into '19, first part of '19 (inaudible). So, I don't think we're going from a situation where everything has been fantastic and working perfectly well to where it's now time to relearn what it's like when things are not working so well.

So, I think we've got a lot of recent and current (learnings) on the importance of affordability, the importance of providing different packaging options at the point of sale depending on income levels. But by the same token to make sure that we marry those against offerings that can be revenue drivers for the

system tailored at the more affluent at the more – at people for whom pricing is more (inelastic) and who are more focused on the offering itself.

So, I think the playbooks that we have actually cover recommended actions and approaches whether it's to maximize revenue from premiumization in the higher income groups or to make sure that we stay close to our consumer base and work and help and be with them through this crisis from both a monetary standpoint and also from a messaging.

If someone had sent them messages that are going out from our teams around the world are the ones that people remember and stay with us when we get back and on the right track again.

Lauren Lieberman: OK, great. And then also just when thinking about what this environment with this crisis may mean ultimately for the competitive landscape? I think retail landscaping you already touched on kind of marking another step change in (ecom print) penetration.

But, maybe we've had a lot of free time to think the big pictures of, but how – I don't know, what do you think would be kind of the most significant and lasting changes that we may see in terms of consumer behavior, the competitive landscape, sort of coming out of this crisis?

John Murphy: OK, yes. Let me give you some early thoughts, and thank you, (Lauren), your first comment is an important one I think in that one of the opportunities that we are looking at in many parts of the world at the moment is that as we adapt to how we work through this situation, there are inevitably people with less to do than they would normally have.

And so one of the topics that came up on our call with the doctors this morning was to think about having a dedicated group of people who are actually focused on anticipating the environments post corona virus, and to be already developing key actions or scenarios that we will then be more ready to go and execute and implement.

So I think that in of itself is an important practice for companies like ours to make happen and to execute. Now, when it comes to what exactly what they're going to do, some early thoughts, and these are very early, Lauren, because I'm sure you can appreciate this is not been necessarily top of mind the last 10 days or so.

Lauren Lieberman: Yes.

John Murphy: But some of it is also driven by some of the early learning's we're seeing from China. I think first and foremost, we should anticipate an impact to shopper behavior as we move forward, we've seen this in times gone by. I mentioned at the outside of the call, the surge in ecommerce activity, we're going to see a whole new group of shoppers being recruited into the – into online purchasing who have never done so before.

I'll be perfectly honest, I – my own family has never really found that, and we're now being advocates, so I can see that being – becoming a significant outcome from this. From a channel perspective, I think the – it's too early to tell whether there will be a significant mix shift, but I would expect to see, and I alluded to earlier, is that within certain channels, there will be maybe some structural end and ownership shifts.

So, in times like this, the strong tend to get stronger, and the weak don't survive, and so I think there's a likelihood that you will see in some channels and some markets more consolidation within those channels. I think this – I could argue the same for the industry, we have different degrees of fragmentation in our industry around the world with cash flow being so incredibly important in the coming months.

I think there is more of a likelihood that some smaller or even large and weaker players may struggle and may be – may not either be around or maybe be looking for partners in the future, and so I would see that as being a pretty big dynamic coming out of this. And then as a system, I think it's important that we are – we stay agile and adapt to a more digital environment and more – a more remote working environment that we are – we don't (best see) – think that we allow just returns or what it was like two or three weeks ago.

I think we need to factor in the impact that it's having, not only in the short term, but on how we all think about work, life balance, essential in the future and I think that's a topic that we're probably – we're too early to (opine) with a great degree of expertise on, but I was suspected to be a big topic for all of us to grapple with in the coming months.

Lauren Lieberman: Absolutely, I think that is a great to stop, we covered a ton, so John and Tim, quietly in the background, thank you so much for doing this, I really appreciate it, thank you to everyone who is quietly sending me questions to make sure I didn't miss anything, and we'll all, guess, talk again on the co-conference call in a few weeks. Thanks. Goodbye.

John Murphy: Thank you. Thanks Lauren, thanks everybody.

Male: Thanks Lauren.

John Murphy: Appreciate it.

Male: Thank you, bye.

John Murphy: Bye-bye, thanks.

Operator: Thank you for participating in today's conference call, you may now disconnect.

END