PepsiCo Posts Strong 1Q Profit with More Snack Sales

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This Oct. 10, 2011 file photo shows cans of Pepsi, posed in Philadelphia. PepsiCo Thursday April 17, 2014 reported a stronger-than-expected first-quarter profit as the company slashed costs and sold more snacks around the world. **(AP Photo/Matt Rourke, File)**

NEW YORK (AP) — PepsiCo [1] reported a stronger-than-expected first-quarter profit as the company slashed costs and sold more snacks around the world.

The company, which makes Frito-Lay, Gatorade, Mountain Dew and Tropicana, said global snack volume rose 2 percent in the period. Global beverage volume was even from a year ago, including in its closely watched North American drinks unit.

Coca-Cola also reported flat volume in the North America market earlier this week. Both companies have been offsetting ongoing declines in their flagship soda businesses by relying more heavily on other beverages, such as sports drinks, juices and bottled waters.

Even though beverage volume was flat in North America, PepsiCo managed to push up revenue partly by introducing pricier new drinks such as Mountain Dew Kickstart, which is positioned as an energy drink of sorts for younger men.

In a phone interview, Chief Financial Officer Hugh Johnston noted that a can of Kickstart costs $1.99, versus $3.50 for a 12-pack of Mountain Dew. He also noted that the company's stepped-up marketing has strengthened the company's brands, which in turn allows PepsiCo to charge higher prices. For the year, he said the company planned to raise prices between 2 and 3 percent in both snacks and drinks.

"As we make the brands stronger, consumers are willing to accept that," he said.

Finding ways to charge customers more has been critical for Coca-Cola and PepsiCo, which are trying to make up for declines in soda volume. Both companies, for instance, have also rolled out "mini-cans" of soda that they say fit with people's desire to control portion sizes. But the smaller sizes are also more profitable for the companies.

"Taking down pricing is not going to drive up demand all that much," PepsiCo CEO [2] Indra Nooyi noted in an earnings call.

For its Frito-Lay North America unit, PepsiCo said revenue rose 4 percent, reflecting a 3 percent increase in volume and slightly higher prices.

In Europe, snack and beverage volumes each rose by 3 percent. In the unit encompassing Asia, the Middle East and Africa, the company said revenue growth was driven by higher snack volume.

For the quarter, the company earned $1.22 billion, or 79 cents per share. Not including one-time items, it earned 83 cents per share, above the 75 cents per share Wall Street expected.

A year ago, it earned $1.08 billion, or 69 cents per share.

Revenue edged up to $12.62 billion, higher than the $12.39 billion analysts expected.

PepsiCo, based in Purchase, New York, stood by its outlook for the year. It expects adjusted earnings per share to grow by 7 percent.

Shares rose 2 percent to $86.60 in premarket trading.

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