# FINAL TRANSCRIPT

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## DPS - Dr Pepper Snapple Group, Inc. at CAGNY Conference

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## CORPORATE PARTICIPANTS

**Larry Young**
*Dr Pepper Snapple Group, Inc. - President, CEO*

**John Stewart**
*Dr Pepper Snapple Group, Inc. - CFO*

## PRESENTATION

**Unidentified Participant**

Well, if we could all find our seats, we'd like to get our next presentation started here. And before we do that, I'd like to thank Dr. Pepper Snapple Group for sponsoring the break for us, and some fantastic beverages at a fantastic price all week. Thank you.

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**Unidentified Participant**

When Larry took the reigns at Dr. Pepper Snapple Group, I think a lot of folks in the investment community thought, "Well, here's someone who actually wants to invest heavily behind a business," where the prevailing wisdom at the time was it was probably a legacy of too much investment overall.

But I think a good number of us, myself included, sort of missed the strength of this brand was the most important thing, and the strength of this whole family of brands. That on top of you put together a team of people who are just really good at selling some really good soda and drinks. So we're very pleased to have Larry Young, the Chief Executive Officer of Dr. Pepper Snapple Group with us today. Take it away!

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Thank you, Jonathan.

This is our first of what I hope will be many appearances at CAGNY, and we are very happy to be here. Since spinning off from Cadbury back in May of 2008 -- just a short 20 months ago -- a lot has changed. The US suffered its worst recession in post-depression times. The consumer reset their expectations of value, and radically changed the way they buy, and what and when they buy.

In beverages, significant structural changes are underway, and even our former parent is changing hands. Against this backdrop, DPS remained resolute, and executed against a focused strategy.

While we still have a lot more to do, DPS is stronger and more efficient, and we're starting to reap the benefits of our investments. I remain confident in our ability to grow consistently in the years ahead.

Let me give you a minute to review our Safe Harbor statement. I'm sure you've all got that.

Without a doubt, DPS' strength lies in its portfolio of well-loved consumer-preferred brands, with a 41.3% dollar share of non-cola CSDs. Brands like Dr. Pepper, 7-up, Sunkist, Canada Dry, A&W, Crush and Penafiel make DPS the undisputed leader in flavored CSDs.

Made with the best stuff on earth, Snapple Premium leads the premium tea category, and we're Number 1 on the juice aisle, with Mott's, Clamato and Hawaiian Punch.

We're also Number 1 in alcoholic mixers, and Number 1 in gourmet CSDs, led by brands like Mr and Mrs T, Rose's Cocktail Infusions, Stewarts and IBC.

Our portfolio is broad, with more than 50 brands. Our nine priority-focus brands, however, are the brands that receive the lion's share of the resources and drive more than 70% of our branded volume. Seven of these brands are Number 1 in their respective categories. And Crush is now Number 2 in fruit-flavored CSDs after Sunkist.

7-up, although Number 2 overall, is Number 1 in 13 of our company-owned DSD markets, and grew share in 29 of our 34 markets.

Our nine priority-focused brands generate more than $8 billion in retail sales annually. Our top seven brands each generate in excess of $500 million a year -- making them a must-have brand for our retailers and for our bottlers.

Complementing our priority brands are a number of leading regional and new and allied brands. Many of these brands hold the Number-1 position in the regions in which they are distributed, and are supported with local media and funding.

Sundrop is the leading citrus drink in certain markets in the Carolinas, while Barrel Aged Vernors is the leading ginger ale in Michigan and Wisconsin. Brands like Venom and HyDrive enable us to compete effectively in fast-growing categories like Energy.

Just over a year ago, Crush would have been on this page. This shows you what strong brands plus unbelievable execution -- and we're always looking for that next opportunity. The next Crush.

The slowdown in the global economy has resulted in a consumer that is much more selective in what they buy and where they buy it. As consumers increasingly seek value and shift to CSDs, they are seeking a variety and picking flavors over colas.

Through the December 2009 Nielsen reporting period, flavored CSDs stood at 50.6% of all CSD retail sales. Up 4.3 points in the last 5 years.

Today, DPS stands with a 41.3% share of this segment. Up 210 basis points since December of 2005. My belief is that flavored CSDs in the next 5 years will grow to 55% of total CSDs. Valued at $4 billion, this shift represents huge opportunities for DPS.

We have built a broad, balanced and flexible route to market that is enabling us to meet the changing needs and demands of our consumers and our customers. Company-owned DSD accounts for approximately 40% of our annual volume, and comprises CSDs, functional beverages, as well as allied brands like HyDrive, Fiji Water and Big Red.

Our focus here is on expanding our brands and driving package and channel mix. 40% of our volume is manufactured and distributed by Coke, Pepsi and independent bottling partners. The focus here is on priority-brand status and getting our brands more broadly available, so that consumers can purchase them more easily and more often.

Fountain Food Service and Warehouse each comprise 10% of our volume. Clamato, Hawaiian Punch and Mott's are distributed through our warehouse model, with the warehouse shipping directly to the retailer. Our fountain business focuses on driving consumer trial and sampling.

DPS is an amalgamation of strong brand companies and weak bottlers, acquired over a 25-year period. In fact, our company-owned DSD operations were created through acquisitions of more than 40 standalone operations over a 22-year period.

These businesses received little in the way of resources from our former parent. So Priority 1 has been to integrate, invest and optimize. And I'm thrilled to tell you that we're well on our way.

We expect transformational changes across the American beverage landscape to continue; which reinforces the attractiveness and importance of this market. Against this backdrop, we remain focused on delivering against our key priorities.

We will build and enhance our leading brands. Exploit opportunities in high-growth and high-margin categories. Increase our presence in high-margin channels and packages, leverage our integrated business model, strengthen our route-to-market, and improve operating efficiencies across all aspects of our business.

We have a well-defined portfolio strategy that allocates our marketing, sales, operating resources to our priority-focused brands. We'll continue to invest heavily in these brands, to strengthen consumer awareness, drive fountain penetration, improve availability, and meet consumer needs with relevant new products.

All of our priority-brand focus enjoys strong brand equity and awareness among consumers across the country. However, per-capita consumption of these brands varies significantly. Building these consumption habits is therefore our single biggest opportunity.

Nationally, Dr. Pepper averages 62 eight-ounce servings per person per year. Our top state as 238 servings, while the leading cola averages 215 servings.

Over the long-term, our goal is to grow Dr. Pepper to a national average of 100. This equates to more than 300 million cases of incremental volume on our 1.6 billion-case base.

Getting 7-up, Sunkist, Canada Dry, A&W and Crush from an average 11 servings per brands per year to 20 is worth an additional 350 million incremental cases. Snapple's stronghold remains in the Northeast, with the top state consuming 33 servings per year per person.

The West Coast and the middle of the US average 3 servings per person. Growing Snapple to 20 servings -- the average for the leading value tea brand -- equates to 50 to 70 million incremental cases.

And growing our Mott's Juice business from an average of three servings per person per year to our highest-region's average of five will almost double that business.

Dr. Pepper was created at the old corner drugstore by a pharmacist, Dr. Charles Alderton, in Waco Texas in 1885. 125 years later, it remains the oldest major soft drink in the United States. Older than Number 1 and Number 2 cola CSDs.

We have a year-long calendar of activities to celebrate, and for the first time, Dr. Pepper aired a commercial during the Super Bowl.

Dr. Pepper is our largest brand, with over 500 million cases sold annually. In a significant majority of the markets, bottlers who carry Dr. Pepper have share leadership that clearly provides them with scale advantage.

Combined with distribution opportunities, we believe this brand has tremendous room to grow. Over the last 20 years, Dr. Pepper volume has grown at a compounded annual rate of 4%, with volume share of CSDs up 320 basis points, to 8%.

In taste studies, Dr. Pepper is well-liked by consumers all across the US. Yet consumption levels and household penetration vary significantly. With only 37% household penetration, getting Dr. Pepper into more hands and consumed more often is crucial.

Stepping up distribution and availability is something we know how to do. In 2009, we targeted incremental investments in key coastal markets, and as a result, we saw consumption increases of 80% in these markets.

One of the ways we're expanding availability of Dr. Pepper is via fountain. On average, we're adding 30,000 incremental vials a year, and providing new sampling occasions.

Today, Dr. Pepper Regular is in half of the 600,000 commercial restaurants in the US, and Diet Dr. Pepper in less than 20% of these restaurants.

Our win at McDonalds in 2009 marked a key milestone in the Dr. Pepper growth journey. By the end of 2010, Regular Dr. Pepper will be in all 14,000 McDonalds restaurants across the country. And we're targeting Diet Dr. Pepper to be in one half of those.

One of the benefits we're seeing from being a core brand is greater co-promotions and tie-ins. McDonalds' 6.5 billion visitors translates to more than 22 billion impressions for Dr. Pepper.

Dr. Pepper Cherry, which was formulated to specifically target the light user, is igniting growth across the Dr. Pepper trademark and driving trial and repeat. Especially in our low-per-cap markets.

In 2009, Cherry brought an additional 2.8 million households into the brand, growing household penetration 2.4 points, to 37%. More importantly, repeat purchases are better than we expected.

Driving Cherry's success has been strong bottler and retail participation. Dr. Pepper displays are up 10 points -- making Dr. Pepper and Dr. Pepper Cherry more visible to more shoppers.

As I reflect on the last couple of years, the question of Snapple's turnaround has been front-and-center in almost every investor meeting. At the beginning of 2009, new Snapple Premium rolled out with real sugar, updated graphics and new packaging.

These changes, coupled with a national media campaign featuring the tagline, "Best stuff just got better," has helped the brand recapture its original fun and quirky personality.

ACV distribution for the new 6-pack offering has climbed to 77% in measured channel. Volume continues to build, with velocity of 6-packs now higher than 12-packs in 75% of our measured markets. With a 48% higher price-per-ounce, it's also adding handsomely to the bottom line.

Measured-channel data for the last 12 weeks shows volume up almost 5%, and share of premium teas up 3.9 points, to 51.1%. So I'm happy to report the restage of Snapple is working.

The $4 billion value tea category now accounts for 80% of all tea volume sold in the US. Participating in this large and growing category is a must-do for us.

The superior taste of the competition, our Snapple 16.9-ounce 12-pack PT offering continues to gain momentum. Our top three markets, Milwaukee, San Diego and Chicago, have over 90% ACV distribution. So we know this proposition works.

Rounding out the tea lineup, we're testing Snapple $0.79 prepriced cans, targeted at value-conscious young males. Early results in our Dallas, Houston and San Antonio markets are encouraging. In these markets, overall DPST share is up 1 percentage point. We're also gaining 16-ounce premium distribution, and increasing the total number of Snapple SKUs in the stores.

Mott's Juices and Sauces are the Number 1 nationally branded apple juice and apple sauce in the United States, with a strong lineup of products. Including Mott's Plus, Mott's for Tots and Mott's Natural.

Our leadership position in apple juice and apple sauce primarily result from our strength in the East and the mid-south, where Mott's is Number 1 or Number 2. It's no coincidence that we lead where we are cost-advantaged. Today, the Western half of the US is largely undeveloped, due to high shipping costs from East to West.

Our new regional manufacturing facility and distribution center in Victorville California adds much-needed juice capacity in the West. With two of its five lines dedicated to producing single-serve and multi-serve juice offerings, West Coast production ensures a strong and steady supply of product, enabling us to service accounts faster, and compete more effectively.

We plan to win by becoming Mom's Trusted Partner for healthy juice and snacking solutions. Strong innovation across the juice and the sauce portfolio will enable us to gain distribution and drive retailer execution.

Our national accounts large-format team has been racing to gain new space for Mott's Juice and Sauce. And they have made significant gains, securing more than 1,400 new points of distribution at key retail accounts and grocery distributors.

Leverage in our broad and flexible route to market, and building on PBG's great work in Canada, we teamed up with the Pepsi Bottlers to expand Crush distribution across the US.

Flawless execution quickly took the brand to the Number 2 position behind Sunkist in the fruit-flavored CSD space, and ACV distribution climbed to over 90%.

It's fair to say the success of this expansion not only exceeded our expectations, but it also highlights the potential for all of our brands out there. Great brands and great execution are only part of the equation. We need to interact with consumers wherever they are, and bring our products to life in a big way.

With every dollar we invest, we know we have a duty to make it as productive as possible, and margin is no exception. Our goals are simple. We deliver advertising that's more compelling. Programming that attacks our purchase barriers head-on. And programs that surround the consumer, creating inescapable awareness and unavoidable trial.

Increasing the relevance and awareness of our brands can only be achieved if we surround the consumer.

In-store, we're driving increases in the number of displays, and inventory on display via eye-catching, innovative display racks, static clings, coolers, on-pack promotions and big displays in high-traffic areas. We're also interacting with consumers where they play, through strategic sponsorships and partnerships that create positive and memorable brand experiences.

In April, we're giving Dr. Pepper music lovers a chance to experience the Red Carpet, with tickets to the Academy of Country Music Awards. On-Pack Promotions featuring the award-winning country music group Sugarland will be complemented with very strong retailer clients.

Dr. Pepper's sponsorship of the 2009 VCS Championship Coach's Trophy, gaining the attention of college football fans across the US, generating over 600 million media impressions. Our sponsorship of Andretti Auto Sports and the Number 26 Car keeps Venom Energy top-of-mind with Indy race fans. And these are just a few examples.

Outdoor Media connects with the consumer while they're on-the-go. With billboards across the country and signage at major sporting and community events, we're surrounding the consumer while they're away from home.

Beyond traditional advertising, we're also investing online to connect with consumers. The Dr. Pepper website offers fans the opportunity to download exclusive content in any of the games, via codes found on Dr. Pepper bottles and fountain cups. To the avid gamer, each code has a street value of $10.

Basketball fans can upload their best Dickie Vee impression, and view other contestant videos. From a chance to win a trip to a college championship game and one of five $10,000 cash prizes on the Sunkist site.

Moms can find healthy recipes and expert advice on visiting Mott's.com. There are countless Dr. Pepper fans on FaceBook, and you can always read a Tweet from Mott's and Snapple.

I can honestly say I have no idea what that means, but you can do it.

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

I do know we're more connected with our consumers than we ever have been before.

One area that's a source of pride is the creation of winning TV advertising that truly connects with the consumer, by focusing on the fun and functionality of our products. Building on the huge success of our "Trust me, I'm the Doctor" Campaign.

We've brought back Gene Simmons, aka/ Dr. Love -- and KISS -- to remind consumers to drink more Dr. Pepper Cherry. Diet Dr. Pepper's touting its unbelievably satisfying taste with the help of "We Exist," Support Group -- including such legendary characters as Santa Clause, the Easter Bunny and a leprechaun. This high-sporting ad generated 190 million incremental TV impressions in Q4 alone.

Super-Grump Brad Garrett is ridiculously bubbly after tasting 7-up, and the Snapple office is abuzz after finding out Snapple's new better diet stuff.

Canada Dry and A&W return to the airwaves for the first time in nearly a decade. And even "Desperate Housewives," Marcia Cross has been sharing her story with Mott's on our "Saucy," ads with them.

Let's take a look at some of our recent commercials.

(video playing)

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

As brand owners, we're committed to invest in the marketplace to support the long-term health of our brands. In tough economic times like these, this is even more critical, to ensure we maintain relevance and awareness.

We're continuing to leverage lower advertising rates to put more of our priority-focused brands on the air more frequently. And this is driving strong GRP growth.

In addition to winning commercials, we're also getting our brands in more hit TV shows, like "2.5 men, Thirty Rock, 90210, Mad Men," to just name of few of them. In fact, in 2009, our 132 TV placements drove more than 530 million impressions.

Our stepped up marketing investments are also translating into better brand-equity measures. For example, total brand awareness, which measures both the consumers' aided and unaided awareness of a brand is up 3 points for 7-up and up 2 points for Dr. Pepper and Snapple.

Great innovation begins with great R&D capabilities. And we have an R&D team that is fully capable across all disciplines. With these capabilities stretching from analytic chemistry to flavor technology, product development to sensory, our R&D team links science and technology with insights, to develop an innovation pipeline that is truly differentiated.

With a state of the art lab in our Plano headquarters and a full-scale pilot plant down the road at our Irving regional center, the R&D team is closely integrated with marketing, sales and supply chain. So that we can move faster from concept to commercialization with products that are right the first time.

Our 2010 innovation pipeline is strong, and focuses on flavor, functionality and value. We're using multi-year innovation platforms such as Dr. Pepper Cherry, Cherry 7-up with antioxidants, Canada Dry Green Tea with Ginger Ale, to build distribution, availability and consumption habits in low-per-cap markets.

Sunkist has always stood as a flavorful energy. Building on this base will launch Sunkist's Solar Fusion -- a powerfully delicious blend of tropical and citrus flavors, combining the great taste of Sunkist with Caffeine and Vitamin B for energy.

Priced in line with CSDs, this is a great example of how we're bringing value to the consumer. We'll let Mom provide more convenient nutrition to her family with the introduction of Mott's Medleys.

With the great taste of Mott's Juice, each 8-ounce portion will contain two fruit-and-vegetable servings, in addition to 100% of their daily Vitamin C needs.

And Snapple -- our $0.79 value cans are going national. And to keep the positive momentum going on our premium single-serve business, we'll introduce a limited-time offer of Cranberry Tea with a typically quirky Snapple tagline -- "Cran, you do it!"

We are focused on improving our product presence in certain categories, such as mixers, energy drinks and other premium-priced beverages. We're capitalizing on opportunities in these categories through brand extensions, new product launches and selective distribution agreements.

At-home consumption is on the rise. What better way to spice up your evening that with one of your mixer brands, perhaps combined with one of the alcoholic brands from our previous presenter.

Today our mixer portfolio commands a 37% share of the market. Building on these strength, we're refreshing our entire Mr and Mrs T lineup with an improved product, a new 1-liter package and eye-catching graphics.

During the year, we'll also introduce new graphics and new packaging on our Margaritaville line, and bring news to Rose's Cocktail Infusions, with the introduction of two new light products.

We'll support these brands with sampling initiatives, promotions, coupon activities and new capacity at our Williamson and our Victorville plants.

Our Venom Energy Drink is a great example of patience and perseverance required to build a brand from the ground up. Venom was differentiated on three counts. Superior taste, a more effective energy package and a resalable can.

Through localized grassroots efforts, Venom has grown ACV distribution to 61%, and already has a 1.5 share of the energy market. In fact, in some markets, we're already the Number 3 energy drink -- and growing fast.

Another way we participate in emerging categories is with our allied-brand strategy. With partners like HyDrive Energy, Big Red and Fiji Water. These partnerships provide us with exposure to growing segments of the market, with relatively low cost and low capital investment. Since taking a stake in HyDrive Energy, we have been very pleased with the performance of the brand and of the business.

Big Red continues to perform extremely well in regional markets. Especially with the Hispanic consumer. And Fiji Water continues to hold a top spot in the premium-priced water segment.

We are focused on improving our product presence in high-margin channels such as convenience stores, vending machines and small independent retail outlets, through increased selling activity and significant investment in coolers and other cold-drink equipment.

Single-serve development and price-pack architecture will allow us to exploit channel and package opportunities. We've just completed Year 1 of our 5-year cold-drink strategy, to place 35,000 incremental coolers per year.

This program will deliver over 2 billion serving occasions, allowing consumers to enjoy our products wherever they are.

Despite a tough environment, the demand for our coolers is high. However, we are being very disciplined on where we place these assets, to ensure we not only meet but beat the returns that we have set for ourselves.

By the time we're done, we'll have doubled our total drink footprint. Even then, we still have a long way to go to achieve the current industry mix of immediate consumption.

We're ahead of our placement plans and we're pleased with the returns we're seeing so far. We're finding placement opportunities in car washes, delis, small groceries, in addition to a traditional C&G and large format.

Some examples of our 2009 wins include 1,200 fast-line merchandisers in Wal-Mart. 400 coolers in Dollar General, and incremental space by putting a cooler in on a hot shelf -- the warm shelf.

At Hess, we secured new distribution through the placement of 250 single-door coolers. At the same time, we've stepped up our investment in technology, to ensure that we're able to track and monitor performance. And if necessary, immediately redeploy the underperforming asset.

Our balanced and flexible route to market also affords us full-price pack participation in addition to core packaging.

In the cola system, Dr. Pepper participates in 14, 16 and 20-ounce PET -- as well as 8, 12, 18, 20 and 36-pack cans.

Across the independent system and throughout the company-owned distribution, Dr. Pepper is also available in 6-pack 8-ounce cans, 6-pack half-liter PET and 24-pack cans.

This broad participation ensures we address consumer needs by market, but more importantly gives us a great insight into what works and helps us shape our ongoing price pack decisions.

Our integrated brand ownership, manufacturing and distribution model, gives us a very unique advantage in the marketplace to meet the changing needs of our customers and our consumers. There's been a fundamental shift in consumer spending.

They're eating out less; driving less; using coupons and combining trips. In response, retailers are consolidating and focusing on value.

Because the shopper is not always the consumer, it's also critical that we address their needs. Recent Nielsen research shows that 91% of shoppers have a clear path of what they want to buy before walking into the store.

To ensure our retail partners and our brands win with shoppers, we recently integrated our consumer- and shopper-marketing teams, to provide holistic solutions. We've also moved key talent closer to the customer to ensure seamless integration.

We're leveraging this integrated team with category management and winning innovation to deliver assortment, functionality and value. And we're utilizing local market initiatives and targeted promotional listings to engage the shopper while they're in the store.

Effective demand planning, vendor-managed inventory and technology advances are enabling 99% fill rates, and reducing our out-of-stocks.

So while we're still in the build mode, our customers are telling us that we're making great progress. Dr. Pepper Cherry was awarded the 2009 CSP Retailer Choice "Best New Product" Award, while Mott's Fruitations and Canada Dry Green Tea Ginger Ale took on top honors in Canadian Product-of-the-Year awards.

In 4 of the last 5 years, DPS was named Progressive Grocers "Best Class Category Captain," for CSDs.

We're also honored by 7-11 as Vendor of the Year for the second year running. This award recognizes the strength of our partnership and the value of our brands, and our commitment to our customer service.

We leveraged our partnership with GameStop, to create a cross-promotion with Jack-in-The-Box called "Jack's Big Rip-Off," which is driving traffic and repeat visits.

Our Feet on the Street Program resulted in more than 2,400 new account openings, and placed more than 800 pieces of cold drink equipment, and sold in more than 90,000 new SKUs.

Continually strengthening our route to market ensure we have the flexibility and the productivity necessary to grow our brands for many years to come. We've been on a journey to create a world-class supply chain; levering technology to drive better decisions and instill a set of behaviors that is unique to DPS.

Five years ago, our supply chain was often the reason for why our sales fell short. We had quadrupled our manufacturing operations through acquisitions, and we frequently struggled to get the right product to the right customer or consumer at the right time.

We developed a plan for a hub-and-spoke model, anchored by five regional centers, to add capacity and capabilities, where we needed them most. As a result, we have streamlined our operations over the last four years from 28 plants to 21, and from 84 regional distribution centers supporting our warehouse business down to 11.

With a more standardized and efficient delivery system, demand planning accuracy has improved 10%, and obsolescence is down more than $0.04 per case. Overall, OEE, our internal equipment efficiency measure, is up over 6 points over the last two years.

The opening of our West Coast regional center in Victorville California is on-schedule and on-budget. The first two lines will be fully up and running by the end of this month, and all five lines will be up by the end of Q2.

This 850,000 square foot facility gives us much-needed capacity and cost advantage that will help us boost our West Coast market share for our finished goods. Especially our Mott's and our mixers.

To strengthen our company all throughout the markets, we invested heavily behind network infrastructure upgrades. Our handheld rollout is nearing completion and we're already seeing improvements.

The first phase of our SAP upgrade, which covers our DSD business, is almost complete. The rollout has been flawless, and its phase nature is sure to get better as we went along.

We've already kicked out the next phase of the upgrade, which covers our Warehouse Direct business and Mexico. We've also extended our back-office outsourcing agreements with [Gym] Pack and most recently with HCL.

Migrating non-valued work systems to skilled process centers has enabled us to drive process improvements and efficiencies in financial-backed office and IT-shared services.

We have a very simple mandate at DPS. Grow sales and crush costs.

Over the past year, we've taken more than 5,000 employees through 300 workshops across the US, Mexico and Canada. We'll continue to drive this program to all of our frontline employees this year.

We're also mobilizing our employees by tying their performance and their incentive plans to operational metrics, such as improving forecasting accuracy, reducing obsolescence and product loss. Closing distribution voids and growing share.

We recently launched the next phase of our "People," strategy. Building our bench strength, with the launch of DPS Campus; an online training program to develop leaders as coaches.

Our people strategy is working. In a recent employee survey, we saw significant improvements, and we are now inline with other high-performing companies in overall employee engagement and how much employees believe strongly in the goals and objectives of our organization.

Our efforts to reduce our impact on the environment while saving money are also gaining momentum. We've been upgrading our fleet with more fuel-efficient vehicles, and optimizing routes to reduce miles driven.

We're installing energy-efficient lighting in our plants, and replacing our coolers and vendors with energy-efficient equipment. In many of our plants, air rinsers and new water-filtration systems are conserving thousands of gallons of water per day. Product-blending systems are minimizing liquid loss.

Light-weighting initiatives are also underway. Shorter closures on our PET bottles have resulted in a 25% reduction in plastic usage.

As we strengthen our route-to-market, we're also working to integrate, streamline and improve our process and build our capabilities. And we're finding efficiencies in everything we do.

With our foundation getting stronger and more stable, we're investing in revenue and margin-management capabilities. That will provide insight to improve decision-making, increase transparency into what works, and ultimately lead to better conversations with our consumers.

We see opportunities to leverage our trade spend, and any savings we find here will be reinvested in the business to continue to drive our growth.

Our handheld rollout across our direct store-delivery business is enabling better decisions, making the consistent real-time information. We're already seeing improvements in sales and route analytics, fleet utilization, sales efficiency and customer service.

Our procurement team has truly earned their stripes. They have a relentless and systematic focus on crushing costs across direct material purchases and indirect or other goods and services.

Last year the team drove significant savings by renegotiating a number of contracts at much more favorable rates. In 2010, this team will drive additional savings as it focuses on implementing an 8-step strategic sourcing process, optimizing product formula and packaging, reverse-engineering flavors, indirect and capital procurement, and low-cost-of-country sourcing.

We started our productivity office in 2009. As expected, there's no big bang here. Just lots of little projects that add up to a lot of savings over time. Ultimately, the compounding of these benefits will result in a program that is self-funding, and a key offset to inflationary pressures. We invested almost $30 million in our first year, and that will drive over 80 million in cumulative savings over the next 5 years.

I think you'll agree our results so far show that our focused strategy is working. We're the only major beverage company in North America to grow CSD and LRB volume and value share in 2009.

Despite a tough environment, we continue to invest heavily in the business and our brands for the long-term. Over time, we believe this business is capable of 3 to 5% net sales growth, and high single-digit EPS growth.

We will continue to balance volume growth with price and mix, to ensure we're always providing value to our consumers. Our focus on execution will drive distribution gains and increase our share of immediate consumption occasions.

Long-term earnings-per-share growth will come from healthy topline growth, as well as a relentless focus on crushing costs at the operating level and below-the-line leverage.

DPS faces similar challenges to other CPG companies. Changing consumer needs. Economic uncertainty. And a volatile commodity environment.

With an entirely North American focus, our portfolio does not benefit from emerging market growth. This drives an even greater dependency on operational excellence.

We believe our focus on customers and consumer insights, relevant innovation, a leading supply chain and flexible routes to market are enabling us to deliver value every day. We're also well-positioned to tap the tremendous growth in our business.

Packeted ingredients make up roughly 65% of our total COGS basket. With packaging comprising nearly 45% of the basket, and ingredients the remaining 20%.

Sweeteners, apple and other fruit concentrates -- flavor, color, acidulants -- drive our ingredient costs while cans, PET, glass and cardboard and labels drive our packaging costs.

We manage our COGS as a basket as a whole, to ensure that we make the best short-term and long-term procurement decisions. In cases like aluminum cans and high-fructose corn syrup, we are able to separate out the underlying commodity from the conversion cost. We believe this gives greater transparency to the overall cost structure, and allows us the ability to mitigate some commodity cost volatility through forward contracts.

Commodity risk-management is facilitated by our commodity policy committee, with specific minimum and maximum cover objectives. One of the hallmarks of this business is consistent and strong cash flow. In these tough times, we all know cash is king.

Our net income to free cash flow conversion has averaged more than 90% over the last four years. Over time, as we cycle initial upfront investment in the business, we would expect to see further cash productivity.

One immediate area of opportunity is working capital and accounts receivable. We're reducing invalid deductions, and optimizing our credit-to-cash processes.

Inventory improvements will come through improved demand planning, forecast accuracy, vendor-managed inventory programs and effective safety stock management.

In accounts payable, we'll drive productivity through early-payment discounts, vendor-management payment terms, standardization and improving our organization's capabilities.

To ensure focus, we're making cash-conversion cycle improvements a key operational metric for our teams with strong and predictable cash flows. We will first seek to invest in growth and productivity capital projects that support our long-term objectives. We firmly believe and have demonstrated that these investments deliver strong returns and extend the duration of our growth.

Our disciplined approach to paying down debt, and the pending license agreement with PepsiCo, means that we are rapidly approaching our target capital structure of approximately 2.25-times total debt-to-EBITDA after certain adjustments.

While our debt profile is very manageable, we still believe we have the opportunity to drive further interest-expense productivity. Our December bond deal was a good example of this.

With a focus on build-versus-buy, our priorities for free cash flow are very clear. First, achieve and maintain our target capital structure. Build a modest cash reserve to maintain liquidity and ensure maximum financial flexibility. And over time, return excess cash to our shareholders.

So to summarize, we have a strong portfolio of leading and growing brands. Our journey to integrate our collection of powerful assets is well on its way.

We're focused on delivering against a set of key priorities, and it's working. And we're confident that our brands, plus strong execution, will drive long-term growth.

Before I hand it back to Jonathan for q-and-a, I have a couple of housekeeping points.

First, we report our fourth-quarter and full-year earnings next Thursday, February 25th. So our comments on 2009 and 2010 will be somewhat limited.

Second, I'm sure many of you saw our press release yesterday, announcing our new CFO. I am thrilled to have someone of Marty's caliber join the DPS family. Marty is a highly-accomplished executive, and will be a great partner for me in the many years to come.

John Stewart -- once again, thanks for all your tremendous contribution in shaping this business and agreeing to help Marty in the transition. I will truly miss your counsel and your partnership.

With that, let me hand it back to Jon.

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## QUESTIONS AND ANSWERS

**Unidentified Participant**

While we're waiting for our play, (inaudible) to the names on the webcast, they'll be much appreciated. Thank you.

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**Unidentified Participant**

Larry, could you just review the use of proceeds that you're going to get from PepsiCo?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Do what now?

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**Unidentified Participant**

Review the use of proceeds that you're about to get from PepsiCo?

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**John Stewart** - *Dr Pepper Snapple Group, Inc. - CFO*

Our first focus is going to be paying down debt. As soon as we get to that target capital structure of 2.25 debt-to-EBITDA. We have plans to essentially return all free cash flow to shareholders.

And as Larry said, over the long-term our focus is building organically. So essentially, that means all free cash flow will be returned to shareholders once we reach that target level.

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**Unidentified Participant**

Should we count on a share buyback program this year?

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**John Stewart** - *Dr Pepper Snapple Group, Inc. - CFO*

Well, we haven't gotten into the specifics. When the transaction closes, expect us to update you specifically at that time.

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**Unidentified Participant**

Larry, could you comment? The New York Times had a rather derogatory article about a potential soda tax on Sunday. I don't know if you saw that. Could you comment on the potential for a soda tax?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Oh, yes. We fight the soda taxes constantly. I'm Chairman of the American Beverage Association, so I stay very on top of this constantly. A lot of people ask what keeps me awake at night, and it's legislation that keeps me awake at night.

But we've been very successful in fending these off. They tried the tax a year ago, and we were successful. We've got some good partners with us in New York. Chuck Schumer the Senator -- he's against it. We're getting some good opposition there.

Though they never go away. We have to watch them all the time. But I think we're in a good position to beat this one again.

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**Unidentified Participant**

Thank you very much. Larry, I have a two-part economic-related question for you. Firstly, regarding your cooler program. I know it's early days. But if you could look at those coolers that were installed, for example, in 2008 or early 2009 -- can you talk about the throughput in those immediate consumption venues? And if they're performing as to how you thought they would?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

They have. The coolers that we have placed have exceeded our expectations. Even with the tough economic downturn. Everybody's kind of seen some of the numbers with C&G, where the single-serve numbers have been down -- like what?

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**Unidentified Participant**

5.9.

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

5.9%. DPS brands were actually slightly up. So the program is working. As I said, it's exceeding our throughputs -- what we thought -- and the margin returns are even better. So it's a good return on investment.

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**Unidentified Participant**

Okay. Great.

And then secondly, if I could, just the Snapple restage, as you mentioned, seems to be working. Particularly as you move into value cans or packaging. But Hawaiian Punch has always been a value brand, and it looks like that has slowed in terms of momentum. Can you comment on those two categories?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Yes. Snapple is, like I said a moment ago, the restage has just been fantastic. We're very happy with Snapple, and a lot of people didn't realize that John and I had a bet.

When we restaged Snapple, when we called the plans together, the economy hadn't crashed. And the first thing that got hit was the premium. But at least we went ahead with it. We didn't stop.

And we put out growth projections out a little bit. I said it would grow in the fourth quarter of '09. Everybody that gets Nielsen knows that I won the bet. John had to buy me a steak dinner. So I'm very happy with that.

The Nielsen numbers on Hawaiian Punch, and the volume you're seeing there is lapping some very, very strong activity. We're very happy with what Hawaiian Punch is doing. The majority of it goes through Wal-Mart, too. It's not in the measured camps.

So it's going to remain of value. We've got a tremendous amount of our partners out there that look at that as a true value we're delivering for them. They like the Hawaiian Punch brand for Mom.

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**Unidentified Participant**

Larry, if we think about some of the changes that have happened in the US beverage market, with Pepsi buying its bottlers, and Coke and CCE under the [incident] pricing model -- do you think that that has actually made the industry healthier? Just in terms of all the major players now committed to taking honest pricing and not go after unprofitable volume?

How meaningful is that from your perspective, and what could sort of disrupt that balance?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

It's very meaningful. I'm thrilled to death seeing how the industry's kind of moving, here. The move by Pepsi buying their bottlers just reinforces how attractive the North American market is. Any time we have activity like that, it brings more excitement, more news and it makes the category grow.

I like what I'm seeing happen out there with Coke and CCE. Pepsi's looking to buy them. I think Coke and CCE are working a great partnership there. They're great partners of ours.

I'm seeing very disciplined pricing. I think everybody's seeing a little more promotional activity. Sometimes you go through the Neilsens and you get confused. But it's the frequency, too, that you're going to watch.

We're seeing a lot more shopping the first ten days of the month. The first half of the month.

So you've got to make sure your promotional activities are up there in that first half. The other thing, too, is they're buying much more on promotion instead of just buying off-the-shelf. We're seeing much more activity off of promotions.

But the pricing discipline's good, and I think the environment's very healthy right now for CSDs.

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**Unidentified Participant**

I had a question for John, actually.

If I look at the slide where you show your productivity savings and the annual investment, I think it looks like in 2011, you're going to have more savings and less investment.

So as we think about your long-term growth target, is there upside to the profit numbers once the investments fall off? And how should we think about the investment portion as it relates to your long-term guidance?

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**John Stewart** - *Dr Pepper Snapple Group, Inc. - CFO*

Well, I think, Jenny, you should think about the investment. We said circa 25. We actually spent 29 last year.

I think we're pleased about the fact that we overspent, because it means we had to add five more projects.

It will become self-funding. Obviously, the first couple of years, it's not. But by the time it reaches Year 3 or 4, you're right. It will become self-funding. And therefore we should expect the savings to outpace the investment on a cumulative basis.

We want to spend as much as we can in this area. I'll remind you of what Larry said. "It's a lot of little projects."

The way we've structured this is, we go to budget holders who don't have budgeting for one-time expenses. And we say, "We have this corporate fund available. If you get a project that makes sense, we'll fund it. You don't need to worry about it hitting your P&L."

And it's worked very, very well this first year. And we expect to continue to do it as long as we can.

And it's had the added advantage of getting us away from a history of restructuring charges. We can take a much more focused and smaller-bite approach to these types of changes.

It's also embedded into our baseline guidance. That is one of the ways we're going to deliver those high single-digit EPS targets into perpetuity.

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**Unidentified Participant**

Mark?

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**Unidentified Participant**

Larry, I wonder if you could talk about what kind of comfort or assurances that there won't be much business disruption for your business that's going to be going through the Pepsi system, now that PPG and PAS are going to be consolidated?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

You know there's not a lot of concern there for me. I mean whenever you look at how Eric Foss runs an operation, I think it'll be seamless how he puts it together. We've been doing a lot of work together already.

I mean we never left the Pepsi negotiations with the bottlers stop our business with bottlers. To this day, we still meet with them as a bottler, and we have our plans in place.

We've had our plans in place since last September, and we finalized 2010 with our bottlers. So we're seeing great performance again this year.

I think it'll be next to seamless.

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**Unidentified Participant**

And then just as a follow-up, I wonder if you could talk now that you're somewhat integrated, and Pepsi is going that way, the viability of a soft drink franchise model in the US. And any kind of particular challenges that might face.

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Well I think the franchise model and DSD's what built this business. Kind of the example I gave you of what we've been doing with Venom. Building it one bottle at a time.

I hope the franchise business is around for a long time. I believe in it. I think it works.

But you get to the positions where some of them want to fall out. They get to looking at it and they don't have a successor. Maybe it'd be estate planning or succession planning. And so the consolidation will continue.

Most of the big ones are gone, now. There's not much of the independent system left with us. But you just can't ever beat that independent franchise that's Mr. Huron, South Dakota. They really bring the brand to their home market.

Yes, sir.

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**Unidentified Participant**

Larry, in one of your commentaries surrounding the economy, I'll say that the commentary itself still seems as negative as it was a couple of months ago. But I have to say, your tone seems a little bit more positive.

Is that just more surrounding your business in terms of how you think you guys are holding up here? Or is it maybe you are a little bit less worried than you were three months ago when you guys reported the third quarter?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Yes. I think I'm a little less. That's a good term. A "little less" worried.

I mean we're winning in this downturn. Like I mentioned a moment ago, I think since we've put our focus on trying to drive more traffic; get the right promotions and deliver the value -- we're seeing that we kind of have some programs that work. And it doesn't just take dropping the price to do it.

So optimistic. Cautiously optimistic.

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**Unidentified Participant**

I think we have time for one more.

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**Unidentified Participant**

Hi. Could you comment a little bit on tea margins? I know with the premium teas, you're going to get better margins. But at $0.79, if that's successful, what would happen to the margin situation for Snapple?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Well, they're fairly similar. Whenever you look at them, that's been one of the great surprises for us.

The premium drinker is not going to the value. The value's a completely different consumer. We found 74% of the people we brought into value had not been a tea drinker. They drank something else.

So we're very happy then that our margins are very similar. So it's not too bad.

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**John Stewart** - *Dr Pepper Snapple Group, Inc. - CFO*

It's also an advantage for us where we have the full system, where some of our other competitors are selling through different distributors. We're putting this through our company-owned system initially, at least. And we're getting the benefit of full-system profitability. And that's really helping with the launch.

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

And the premium is only produced in five locations. The value can be produced at any CSD plant.

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**Unidentified Participant**

Premium and value going national -- are they both going to be national?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

The value?

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**Unidentified Participant**

Yes.

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

It's not part of our strategy. We're not looking to go out there and be Number 1 on value tape, but we're using it very strategically and using it where we need to fight in certain markets.

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**Unidentified Participant**

I have one other question on Crush. Can you share with us what your target growth would be in 2010, just because you're lapping such an incredibly strong '09?

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Next week.

You almost got that out of me.

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**Unidentified Participant**

Okay. Well, thank you very much, guys.

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**Larry Young** - *Dr Pepper Snapple Group, Inc. - President, CEO*

Yes, Thank you, Tom.

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**Unidentified Participant**

We appreciate it. And please join me in thanking Dr. Pepper Snapple again for a great presentation. It's been great.

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