

Company Name: Kellogg  
Company Ticker: K US  
Date: 2017-08-03  
Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
Current PX: 70.655  
YTD Change(\$): -3.055  
YTD Change(%): -4.145

Bloomberg Estimates - EPS  
Current Quarter: 0.931  
Current Year: 3.910  
Bloomberg Estimates - Sales  
Current Quarter: 3187.286  
Current Year: 12646.765

## Q2 2017 Earnings Call

### Company Participants

- John P. Renwick, CFA
- John A. Bryant
- Fareed A. Khan
- Paul T. Norman

### Other Participants

- Matthew C. Grainger
- Christopher Growe
- Kenneth B. Goldman
- Kevin Lehmann
- David Cristopher Driscoll
- Michael S. Lavery
- Jonathan Feeney

## MANAGEMENT DISCUSSION SECTION

### Operator

Good morning. Welcome to the Kellogg Company Second Quarter 2017 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. [Operator Instructions] Thank you. Please note this event is being recorded.

At this time, I will turn the call over to John Renwick, Vice President of Investor Relations and Corporate Planning for Kellogg Company. Mr. Renwick, you may begin your conference call.

### John P. Renwick, CFA

Thank you, Anita. Good morning and thank you for joining us today for a review of our second quarter 2017 results. I am joined this morning by: John Bryant, Chairman and CEO, who will give you an overview of our business results and priorities; Fareed Khan, Chief Financial Officer, who will walk you through our financial results and outlook; and Paul Norman, President of North America, who will give you an update on our North America businesses.

Slide number 2 shows our usual forward-looking statements disclaimer. As you are aware, certain statements made today, such as projections for Kellogg Company's future performance, including earnings per share, net sales, profit margins, operating profit, interest expense, tax rate, cash flow, brand-building, upfront costs, investments and inflation, are forward-looking statements. Actual results could be materially different from those projected. For further information concerning factors that could cause these results to differ, please refer to the second slide of this presentation, as well as to our public SEC filings.

As a reminder, when describing our results and outlook during today's prepared remarks, we will be referring to them on a currency-neutral comparable basis, unless otherwise noted. The appendices to our presentation provide you with the details on our GAAP and non-GAAP performance.

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

Finally, a replay of today's conference call will be available by phone through Tuesday, August 8. The call will also be available via webcast, which will be archived for at least 90 days.

And now, I'll turn it over to John, and slide number 3.

## John A. Bryant

Thanks, John, and good morning, everyone. In Q2, we continued to make progress on our overall business transformation, which is guided by our 2020 Growth Plan and is aimed at improving top-line and bottom-line results. For instance, our biggest transformational initiative this year is our transition to warehouse distribution from direct store delivery in our U.S. Snacks business. Paul will give you an update in a moment, but we are pleased with how this is going on all fronts.

Today, we are very close to completing this ambitious and complex transition. In fact, we're already shipping through warehouse to all of our customers. This is a great example of executional excellence and working closely with our retail partners.

We also continue to make good progress toward building our presence and scale in emerging markets. In this quarter, we posted continued growth. One highlight was the continued integration and growth of the Parati business we acquired in Brazil late last year.

And we continue to improve the performance of our core four developed cereal markets. Canada, Australia and the UK all improved their performance in the quarter. The one exception is the U.S., who slipped back a bit in a soft category during Q2, but we have plans to improve its performance going forward. From a financial perspective, we remain on track toward our full year guidance.

Net sales performance was sequentially better than Q1. Year-on-year, it was abated by two factors that are being considered in our full year guidance. First, U.S. consumption remained soft. This was industry-wide and affected many of our categories. And second, we felt in Q2 the residual impact of Q1's customer negotiations regarding pricing on Pringles in Europe. But we knew this would be the case, as it takes time to ramp back up to normal promotional activity.

Margin expansion continued with another quarter of improvement in our gross margin and another quarter with more than 100 basis points improvement in our operating margin. Clearly, our productivity initiatives are working and working well enough to offset the impacts of lower volume, investment in food and country mix.

The result has been earnings and cash flow that are on track to achieve our full year guidance. So Q2 was on track for both a transformation and a financial standpoint. But make no mistake, getting back to top-line growth is our top priority.

Slide 4 takes a closer look at what we are doing to return to a low single-digit net sales growth that can drive sustainable earnings and cash flow growth over time. Innovating and renovating our food and packaging to stay on or ahead of changing consumer trends is critical. In Q2, this progress is most visible in our stabilizing share of Special K and Kashi Company offerings in cereal, even as new media campaigns are just hitting the air.

It's evident in the expanding distribution of our overall product lines with Special K and Kashi snack bars launched in Q1. And we've seen in Q2 growth in Eggo, where we removed artificial colors and ingredients earlier this year.

Winning where the shopper shops is more important than ever in today's blurring channels. In U.S. Snacks, transitioning into warehouse distributional and out of DSD allows us to redeploy resources to brand-building and pack formats that can grow our brands in all channels. And across our business, we also continue to see exciting growth in emerging channels, notably e-commerce.

We've talked previously about our new marketing model. And in Q2, there's evidence that we are making progress toward making our brand-building more effective and efficient. You can see it in the brands we've invested behind:

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

share gains in U.S. Cereal for brands like Froot Loops and Frosted Flakes; momentum for U.S. Snacks brands like Cheez-It and Rice Krispies Treats; and steady improvement in our cereal business in the UK, Canada and Australia.

Emerging markets are going to drive packaged food growth for years to come. We've dramatically built up our scale and presence in these markets in recent years. And Q2 featured continued progress in this area. Not only did we continue to grow organically in emerging markets during Q2, but we made good progress in integrating the already-growing Parati business we recently acquired to transform our business in Brazil.

We also continue to generate double-digit growth in our unconsolidated joint ventures. These four elements will get us to top-line growth. I realize the progress is gradual, but the progress is there.

Let me now turn it over to Fareed, who will walk you through our financial results and outlook.

## Fareed A. Khan

Thanks, John, and good morning, everyone. Slide 5 shows a summary of our financial results. Our second quarter came in largely as expected. Net sales declined in the quarter, driven by the same factors we saw in Q1, but we are showing sequential improvement. Operating profit accelerated, and earnings per share growth remained strong and solidly on track for our full year guidance.

Let's get into a little bit more detail. Slide 6 breaks out our reported net sales performance into its components and also showing comparable view. As you can see from the slide, our volume declines moderated from a challenging Q1. Volume was pulled down by broad softness in consumption in the U.S. and by the loss of Pringles promo activity stemming from our Q1 pricing negotiations in Europe, which lingered into Q2.

As we get into the second half, we expect Pringles to return to growth in Europe and in the U.S. We should also see a moderation of declines in Special K and Kashi, as renovated product lines take hold on the shelf and as new media campaigns are activated. And we expect our emerging markets growth to pick up.

You'll notice our price/mix continued to firm in the quarter, adding to what has been a positive trend this year and importantly, [ph] for allowing our product benefits to flow through to profit. (8:26)

This price/mix improvement was evident in all four regions. Some of it is related to pricing in currency-challenged markets, and some of it is related to price/pack architecture work that we are doing. In the second half, most of this price/mix improvement will be masked by the downward list price adjustments we've made as part of our U.S. Snacks transition out of DSD.

Speaking of DSD, the transition continues to proceed, in line with our financial expectations, with price adjustments and volume impacts coming in as expected. So to summarize, while we're not content with the net sales decline, by any means, Q2's performance was a modest improvement over Q1, and we expect to see more sequential growth to come.

Slide 7 shows how we improved our profit margin this year, both in the quarter and the first half. Gross profit margin posted another quarter of year-over-year improvement, driven by good productivity and cost savings under Project K and Zero-Based Budgeting, and by modestly favorable net input costs. These factors more than offset the impact of continued investments in our food and packaging and the impact of lower volume.

On operating profit margin, we continued to see strong expansion in Q2, not only because the increase in gross margin but also because of efficiencies and savings initiatives in SG&A. Importantly, this operating profit margin was broad-based, with all four of our regions once again recording increases. So our margin expansion efforts remain very much on track.

Also on track is our cash flow, as shown on slide 8. Versus the year-ago period, our net income is higher and our core working capital improved as a percentage of sales year-over-year, driven by payables. We had some timing differences on capital expenditure and other line items, like deferred and accrued taxes, pulling down cash flow in Q2. These items should smooth out over the next quarters. We feel good about hitting our full year cash flow target of \$1.1 billion to

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

\$1.2 billion.

With that, let's turn to slide 9 and our latest guidance for the full year 2017. Q2 results give us continued confidence in our outlook for the year, so we are reaffirming our guidance. Our outlook for currency-neutral comparable sales remains at about a 3% decline versus the prior year. Within that 3% decline, we are still forecast the impact of our DSD transition to be about a 1 percentage point negative impact to the full year.

Most of this impact comes in the second half and comes from a few factors that we've discussed previously. It reflects the downward price adjustments to retailers, which reflects the additional ordering, warehousing, delivery and merchandising activity they are now taking on.

There is also some impact from the elimination of tail SKUs when we had factored this estimate in for volume disruption, be it for execution or competitive reasons. Lastly, a partial offset to this volume impact will be any remaining inventory pipeline fill to our customers' warehouses, which will occur in the early part of Q3.

In the rest of the business, we should see sequential improvement in the second half versus the first half on stronger commercial plans and the absence of some unusual headwinds that we faced in the first half. Leading the way will be Pringles, which is expected to swing back to growth in Europe after its price negotiation-related decline in Q1 and Q2 and in the U.S., owing to stronger second half commercial calendar.

Another important improvement in the second half will be each of our North America Other businesses. Frozen Foods, Kashi and Canada should all see further improvements in their performance as we go through the year.

On operating profit, we are reaffirming our guidance of 7% to 9% currency-neutral comparable growth. And from a phasing standpoint, we have a Q3 that's a little more investment heavy and a Q4 that's more savings heavy, both related to the timing of our exit from DSD.

On earnings per share, we reaffirm our guidance for currency-neutral comparable growth of 8% to 10%. For reported EPS, there's no change to our assumptions for upfront costs or integration costs. But the weakening of the U.S. dollars so far has meant less adverse currency translation so far, and we could see an impact that is roughly half or better of the negative \$0.12 per share that we had been forecasting. So we enter the second half right on track from a financials perspective.

And with that, I'd like to turn it over to Paul Norman to take us through our North American results.

## Paul T. Norman

Thanks, Fareed, and good morning, everyone. As the chart on slide 10 shows, Kellogg North America saw sequential improvement in our performance for net sales, operating profit and for operating profit margin.

A few things to point out, each of which I'll describe in more detail in a moment. First, we're seeing growth or improving sales performance in businesses ranging from Specialty Channels to Frozen Foods, to the Kashi Company to Canada.

Second, an area of disappointment in the quarter was Morning Foods top-line performance. Like so many categories for cereal and toaster pastry categories, we haven't returned to last year's rates. It's incumbent on us to drive these categories, and we have stronger plans coming in the second half.

Third, we feel very good about our transition into warehouse and out of DSD, which is nearly complete. We are right on track on this big step towards the transformation of U.S. Snacks.

And finally, we continue to realize good margin expansion. It's driven by productivity and it has us on track for our 2018 targets. But I want to emphasize something. We are mindful of ensuring that these productivity efforts don't in any way inhibit our return to growth.

Company Name: Kellogg  
Company Ticker: K US  
Date: 2017-08-03  
Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
Current PX: 70.655  
YTD Change(\$): -3.055  
YTD Change(%): -4.145

Bloomberg Estimates - EPS  
Current Quarter: 0.931  
Current Year: 3.910  
Bloomberg Estimates - Sales  
Current Quarter: 3187.286  
Current Year: 12646.765

So, now let's briefly walk through each of our North America segments. We'll start with U.S. Snacks and our update on our DSD transition on slide 11. As I mentioned, this transition has gone very well. We are now entering the final wind-down phase. It's important to recognize what is now behind us. We've completed all customer negotiations. This means we know the list price adjustment to customers, and we have been developing joint business plans with them.

We finalized our SKU rationalizations. So we know the shelf assortment. We've started reducing complexity in our supply chain, and we started to make the store shelf work harder for us and for our customers.

As of this week, we are 100% out of DSD. That is, we are receiving orders from customers and we are shipping to all customers warehouses. It's early days, but where we have customer data, we are already seeing improved on-shelf availability.

We've now entered the final phase of the project, completing the exit. Not only are we now closing the distribution centers, but we are also in hypercare mode, in which we devote resources to stores in order to ensure that everything, from ordering to shelf tagging, to shipments, are operating smoothly. This is important because it's also the time when we are pivoting our teams' focus to driving top-line growth. We are ramping up our brand-building and in-store activation, and we're planning and executing jointly with our customers, all to ensure we start growing demand.

We are obviously pleased with how this is going on all fronts, from the strong engagement and collaboration of our customers, to the attention to detail of our project team, to the positive attitude of our sales force and supply chain. And we really want to thank all of them for their dedication and focus on execution during this challenging transition.

Obviously, we're taking on a very complex change initiative, one that could present executional risk and/or competitive risk at any time, but the team is managing it very well, and our full-year outlook for this transition has not changed.

Now, let's talk about Snacks results for the quarter, which is shown on slide number 12. Net sales were flat in the quarter, reflecting two factors related to the DSD transition. Firstly, there was the positive impact of inventory pipeline fill. This is the shipping of inventory into our customers' warehouses as we convert them from DSD to warehouse distribution. This began in the latter half of Q2 and ramped up in early Q3 as we converted the remaining customers.

Secondly, in-store promotion activity was reduced, as you can see in the scanner data, not only in the sharp declines in volume sold on promotion, but also in our sizable increases in average prices. As you would expect, this pullback was driven by a combination of us and our customers wanting to mitigate big shipment swings as we produce and ship inventory for their warehouses.

With us now fully in warehouse distribution, we strengthen our promotional calendar in the second half. This reduced promo activity is masking some good underlying trends. Our Big 3 cracker brands held share, despite the reduced activity. Keebler Fudge Shoppe maintained consumption and share growth in cookies, and Rice Krispies Treats sustained its momentum in wholesome snacks.

Importantly, we started up our accelerated investment in brand-building during the quarter as we transition to a pull model. This, along with some duplicative costs as we resourced up our warehouse distribution, held down profit in the quarter. But this profit came in as we'd expected, and the increased brand-building bodes well for consumption performance in the second half. So Snacks is in a good place. The DSD transition is right where we'd expected it to be, and we are now turning to a pull model that will help transform this business.

It's worth reminding everyone that this transition starts with a reduction in net sales, due to the price we set to customers, a reduction in SKUs and somewhat lower secondary and tertiary displays, so net sales come down for 12 months before they start growing again.

On the flipside, our operating profit and operating margins start to move higher right away and especially in Q4, when we completely eliminate our DSD expenses. That's even despite the sizable reinvestments we're making. All of this is already in our guidance, and I think you'll agree that we'll come out of this with a faster growing, more profitable U.S. Snacks business.

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

Now, let's turn to slide 13 on U.S. Morning Foods. Whilst we're pleased with our great progress on margin expansion, we are not happy about our top-line performance in this segment. Our Core 6 cereal brands collectively held share in the quarter, but the cereal category remained softer than expected. Whilst there are a variety of industry-wide trends that we can point to, it's our job to drive this category through great commercial ideas, across major brands.

To that then, we expect to see sequential improvement in the second half, and here's why. One, we will continue to support our taste-oriented brands like Froot Loops and Frosted Flakes, which continue to gain share behind effective media and innovation, respectively. In fact, Cinnamon Frosted Flakes is the number one innovation this year across the entire category.

Two, Special K was down year-on-year, but it improved sequentially and even returned to share growth in June, behind innovation and our new Own It campaign. This is a promising sign going into the second half. And three, we have better in-store program in the second half. This includes stronger seasonal innovation and strong Back-to-School programs.

Looking beyond 2017, we've got to think bigger. Once we're happy with the performance of our taste brands, we know we have to do more to reassert this category's health and wellness credentials. It's the adult health-oriented segment that is pulling down the category. And the way to reinvigorate that segment has always been through nutritional innovation claims and brand-building, so that's where we're focusing our efforts.

An example of this is on the slide. Late this year, we'll be launching a new Special K Nourish offering, featuring probiotics. We'll have more to share with you as we get closer to 2018.

Now let's talk about Specialty Channels, shown on slide number 14. Our Specialty Channels business in Q2 delivered an eighth consecutive quarter of sales and profit growth. We generated growth in our three core channels, in which we already have leading positions, foodservice, convenience stores and vending.

In foodservice, our growth was again led by the K-12 segment. And in C-stores and vending, our growth was aided by innovation. Importantly, in Q2, we implemented a transformation of our sales force to a hybrid direct and broker mode. This is expected to drive stronger focus on our core accounts, whilst expanding our market coverage by almost 40% across foodservice and convenience channels.

Operating profit margin continued to improve strongly, driven by better price/mix and by continued savings from Project K and Zero-Based Budgeting. So we continue to feel good about our Specialty Channels business. And growth should continue in the second half, even despite tough comparisons.

Finally, we'll turn to slide number 15 and our North America Other segment. As we said would happen, we are solidly in profit growth for this segment. Q2 was a third straight quarter of strong operating profit performance. But just as important is the fact that we also realized good sequential improvement in net sales. At the Kashi Company, sales remained pressured by last year's exiting of non-core or less profitable SKUs, promotions and categories. But we're going to be lapping those soon, and the quarter offered promising signs of what's to come. We realized another quarter of share gains in cereal and xAOC channels as well as in the natural channel. And we saw markedly improved trends in these channels through our Wholesome Snacks business, as recent innovations and media are starting to take hold. We are turning the corner on this business, and we are confident we'll continue to see sequential improvement in top-line in the second half.

In Canada, we also continue to see improving results. Recall that we have been feeling the elasticity impact from our efforts to increase price realization in order to cover FX-driven input cost inflation. We started to lap some of that, and our net sales and consumption have continued to improve. During Q2, our consumption declines in cereal moderated significantly. Our base consumption was again very strong, and we increased share as a result.

In Wholesome Snacks, we gained share, too, also behind strong base consumption. And our Pringles business grew consumption and share as well. So Canada is on the right track to meet expectations for the year.

In Frozen, Eggo grew consumption and share, aided by the removal of artificial ingredients and the launch of kid-loved shapes, with Mickey Mouse-shaped waffles leading the way.

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

Our frozen veggie business under MorningStar Farms and the Gardenburger brands added another quarter to its return to consumption growth, thanks to a focus on core burger offerings. So Frozen is back in growth and picking up momentum.

So to wrap up North America, Snacks came in as expected, with terrific progress on the DSD transition. Specialty Channels continues to grow. And North America Other is turning the corner. Morning Foods remains soft, so we have to redouble our efforts to get the cereal category growing again, but the net of all of this is sequential improvement on top of sustained margin expansion.

With that, I'll turn you back to John for a look at our international regions.

## John A. Bryant

Thanks, Paul. Please turn to Europe on slide 16. Really, the story in Europe was Pringles. Every several years, dating back to before we even owned it, Pringles has undergone a brand re-stage that includes product reformulation and related price increase to catch up to inflation so that we can invest behind the brand. You'll recall that we did this in Q1 and was met with prolonged negotiations with customers. While these negotiations were resolved by April, we missed out on several Q2 promotional programs, as we had communicated on our last earnings call.

So after growing consistently at a mid to high single-digit growth rate in recent years, our Pringles business in Europe declined sharply in the first half, a very negative swing. This is a short-term disruption that we expect to turn around significantly in the second half as we resume normal commercial activities.

Less visible because of this Pringles swing has been the sequential improvement we have realized in our UK cereal business. Our consumption in Q2 was down significantly less than in recent quarters, as strong brand-building support, better share gains in all family brands, like Corn Flakes, Rice Krispies and Crunchy Nut.

In fact, four of the top five growing brands in this category were Kellogg brands in Q2, and we gained share overall in the month of June. So our efforts here are starting to pay off. Europe is likely to remain challenging over the foreseeable future, and we still have a lot of work to. But in the second half, we do expect to see strong sequential improvement.

Here's why. First, we are set to return Pringles to growth after the disruption of the first half, as I mentioned. Second, in cereal, we have strong commercial plans in the developed markets with a particular emphasis on Special K, which will benefit from new foods like Special K Nourish, new on-pack claims, the new test in media campaign, and a step up in brand-building investment. And third, we expect to sustain our growth in emerging markets. So we're confident we'll see better performance in Europe in the coming quarters.

Let's talk about Latin America, which is shown on slide 17. In Latin America, our currency-neutral net sales declined year-on-year with all of the decline, and then some, related to our Caribbean/ Central America sub-region. This had to do with continued trade inventory reductions following late 2016 distributor transitions, exacerbated by what have been notably soft market conditions. We're working through these issues, and we expect to see sequential improvement in these markets in the second half.

The good news is that our large Mexico business continues to perform well, as did our legacy South America operations. Additionally, the integration of Parati, our significant acquisition in Brazil, is progressing well. That business continues to post solid growth, though it is not captured yet in our comparable basis results.

We also continue to generate price realization in Zero-Based Budgeting savings, even though a bit masked in Q2 by our sales declines in Caribbean/Central America. Year-to-date, our operating profit margin is up by 60 basis points year-on-year, and we expect to see continued margin expansion in the second half. We view Latin America's first half performance as affected by temporary factors. We expect this region to grow in the second half.

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

We'll finish up our international discussion with Asia Pacific on slide 18. Asia Pacific had another good quarter in Q2, with growth in net sales, operating profit, and profit margin, and it featured a return to growth in Australia, continued broad-based growth in Asia, and momentum in Pringles.

Our Australian business is a good turnaround story. Over the last 18 months, we have steadily improved our performance in this developed market, primarily through innovation and renovation. And in Q2, cereal returned to positive net sales growth in Australia. In Asia, net sales grew in Korea and Japan, with India down modestly because of short-term disruption in the country's new Goods and Services Tax. And across the region, our Pringles business posted a strong high single-digit net sales gain.

Then on top of our consolidated businesses, we have our joint ventures in West Africa and in China. Once again, both of these JVs delivered strong double-digit growth, with West Africa led by strong noodles volume and China led by e-commerce sales. Given their size and growth rates, our share of the JV's year-on-year sales growth, we'll be talking about double-digit currency-neutral comparable sales growth for Asia Pacific.

So Kellogg Asia Pacific remains on track versus 2017 goals. We are growing and expanding our margins, and we're also continuing to build our presence and scale in emerging markets, some of it through organic growth, some of it through our unconsolidated joint ventures.

So allow me to summarize with slide 19. Q2 was held back by continued softness in U.S. consumption and the aftermarket of price negotiations on Pringles in Europe. Our net sales performance did improve sequentially, as we said it would. And our profit margins continue to improve, reflecting the work we have done to reduce our cost structure.

We remain on our full year 2017 guidance for net sales, operating profit, earnings per share and cash flow. While our sales performance remains challenged in a difficult packaged foods environment, we continue to make progress on our 2020 Growth Plan toward the transformation of our company and a return to top-line growth.

In Q2, this progress was evident in the tremendous progress we have made on our transition out of DSD. This is game-changing for us, and we've executed it extremely well. It was also evident in our growth in emerging markets, where we're not only growing organically, but also through transformative acquisitions and joint ventures. Our efforts to launch more on-trend food and packaging were evident in the improving performances by newly-renovated Special K and Kashi snacks offerings.

And finally, accelerated growth in e-commerce shows us seeking opportunity in a changing retail landscape. These are all important building blocks for our return to top-line growth.

As always, I want to thank our employees for their hard work and determination in making us a stronger Kellogg Company.

With that, we'll open up for questions.

## Q&A

### Operator

We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Matthew Grainger with Morgan Stanley. Please go ahead.

**<Q - Matthew C. Grainger>**: Hi, good morning, everyone. Thanks for the question. I just wanted to ask about some of the pricing discussions that are taking part as a part of the DSD transition. Could you talk a little bit more about the customer alignment and your discussions around list price changes and merchandising? It sounds as if the formal list price adjustments have all been agreed on and you have good visibility there, but given your commentary around lower-than-expected merchandising in the quarter and some of your competitors' comments on the intensity of the promotional environment, is there still a risk that the effective pricing adjustment, taking into account any additional promotional support that's needed to sustain shelf space, will be larger than expected?



Company Name: Kellogg  
Company Ticker: K US  
Date: 2017-08-03  
Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
Current PX: 70.655  
YTD Change(\$): -3.055  
YTD Change(%): -4.145

Bloomberg Estimates - EPS  
Current Quarter: 0.931  
Current Year: 3.910  
Bloomberg Estimates - Sales  
Current Quarter: 3187.286  
Current Year: 12646.765

<A - John A. Bryant>: Yes. Thanks, Matthew. I think we've made tremendous progress on our DSD transfer over to warehouse. And it's worth noting, as we did in the prepared comments, that, as of now, we're completely out of the DSD delivery system. We're now delivering all of our deliveries to customers through warehouse. I think Paul, Deanie and the entire team have done a tremendous job executing what I believe has been one of the most complicated transitions that any food company's attempted to do in the last several years in our industry.

I'm going to hand over to Paul to give you more detail on where we stand on that, including the various discussions with our retail partners.

<A - Paul T. Norman>: Hey, Matthew, I'd just tell you it's gone and is going very well. We had great customer engagement. We had [ph] agreed (34:59) assortment. And we were proactive, as you probably are aware, in managing that assortment, from an SKU reduction point of view, but also with a focus on making our biggest brands and our bigger SKUs work harder within that assortment. So as SKUs come out, we gain space on our faster, harder-working SKUs.

The pricing negotiations are all behind us. For competitive reasons and obviously other reasons, I'm not going to go into those, but those will flow through our P&L as we go forward. And there's been strong collaboration between our teams internally and our customer teams internally right all the way through this. We're out of DSD. The transition is complete. We're 100% shipping through warehouses. Our focus has pivoted to really the in-store environment right now, making sure that the ordering processes are working, the shelf hands are where they need to be, helping educate store-level employees on doing the job that we used to do. And through the data we're seeing come through in the customers we can see already, we're seeing in-stock's up, which is positive.

The internal center of gravity is now very much in Deanie's team around contributing to growth. So we're executing against our pull model. Brand-building will be up significantly in the back half. Our promotional pressure comes back now in the back half following the pullback in Q2 to manage the transition. So you can expect good Back-to-School programs, fall football programs, holiday programs and the strengthening of our relation pipeline coming into 2018. Our team's done a great job and the financials are exactly where we thought they would be and on track for the year to come.

<Q - Matthew C. Grainger>: Okay. That's helpful. Thanks, Paul.

## Operator

The next question comes from Chris Growe with Stifel. Please go ahead.

<Q - Christopher Growe>: Hi. Good morning.

<A - John A. Bryant>: Morning, Chris.

<Q - Christopher Growe>: Hi. I just had a question for you to follow-on on the DSD transition. I want to understand, year-to-date, the DSD trends, since you're filling the pipeline or shipping product to the retailers, DSD looks like it has actually helped your sales overall and there's still some expectation for a sales decline. So I just want to be clear on that; that that really would start to hit in Q3 and Q4 once the pipeline fill is complete. Maybe just if I could add into that, just the fact that you're now shipping all your product to customer warehouses, does that mean you're ahead of plan or this on track of what you expected?

<A - Paul T. Norman>: I'll take that and maybe Fared might want talk about how it lays down for the year. But again, everything's on track and really where we thought it would be, so there's, I wouldn't say, we're necessarily ahead. There has been some impact obviously in the business through Q2 and we would expect to see some of that through the rest of the year. The impacts, so far year-to-date, are really two. We saw some inventory come in, in Q2. And that was probably about 5% that contributed to our performance in Q2, offset by emerging merchandising pullback and some of the price adjustments coming through.

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

So those two things mostly offset each other. As we pivot to the back half of the year, you will see a little more inventory come in in Q3. And also Q3 has July in it, so there's been a little bit more disruption, a merchandising pullback as we go through the execution. Then, as we said and I said in the prepared notes, we will see a drop off in net sales because of the price decline and the transfer of work as we go forward, and that would impact the P&L as we go forward. Down the P&L, we will see the costs of the DSD organization collapse as we go through that and really fluctuate with full force for Q4 this year. Does that answer your question, Chris?

**<Q - Christopher Growe>**: It does, yes. Thank you for that clear explanation. Thank you.

## Operator

The next question comes from Ken Goldman of JPMorgan. Please go ahead.

**<Q - Kenneth B. Goldman>**: A question on cereal for me, if I may. Paul, you talked about some of your frustrations a little bit. I think that's a fair word in terms of the numbers, but you're also saying that the way to turn around adult cereals is to deliver news about nutrition. I guess, what I'm curious is that realization, that understanding about what needs to be done, I don't think that's anything necessarily new. It's something that you guys have talked about for years.

So, I guess, I'm just trying to gain comfort about what will change from here. You're talking about cereal getting better, but the messaging I'm hearing about what needs to be done isn't all that different than what it's been the last few years. So maybe if I can just ask sort of why things will get better from here, that would be great.

**<A - Paul T. Norman>**: Ken, let me take it up a level. If you look at the category, the history of that category, there have been cycles over the years that have driven the category. Those cycles are often related to health and wellness, positively and, many times, negatively. The whole fiber oat brand booms of prior years drove the category. Well frankly, through the end of the 1990s and into the 2000s, low-calorie, low-fat and weight management really drove the category. And no brands rode the category harder in those years than Special K. As we get through to 2010 and into the recent years, low-calorie, low-fat has come off trend and we have obviously been impacted significantly by that.

What encourages me as I look forward and where science and nutrition is going, where the trends are, clearly what is big and right in front of us now and I think will be really important is gut health and the gut-brain connection, the importance of the microbiome and the importance of fiber coming back into people's diets, either prebiotic or probiotic benefits. Those things, considering nine out of 10 Americans don't get enough fiber today, I think are going to position our category extremely well to grow as we go forward.

So the tailwind is coming back, in my opinion, following a short period here of headwind. For us, we need to reassert our credentials in these areas. So we'll do the hygiene work we're already doing, removing artificials, et cetera, but the big wins will come from upping our claims on existing brands like Raisin Bran, Mini-Wheats, around fiber and the importance of fiber and then, driving innovation into our adult brands, things like Special K with probiotics, et cetera, as we go forward. So that's how the health and wellness piece, for me, is encouraging and gives me belief that we can get this category back with a tailwind behind it.

The other thing that's important, quite frankly, is how people eat today. And as you probably heard us talk before, 35-plus percent of cereal there is consumed outside of breakfast occasion. And in repositioning the category, it's a big word, to be more of an all-day food and an all-day snack to be consumed whenever you want, is, I think, critical to how we open up growth potential for the category, whether that's driving brands or Froot Loops, Frosted Flakes or Rice Krispies throughout the day through a recipe or consumption opportunity or whether it's bringing innovation in the area of convenience and affordability to the cereal category to unlock those opportunities throughout the day.

And then last, and also important is, we got to keep the pressure on fun and taste in this category, which has always been an important part of what drives the heartbeat of the performance of the category. If I look today, the pressure on fun and taste is fine. The other two, we can do more.

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

<A - **John A. Bryant**>: So, Ken, if I can just add to Paul's answer, I think we do need to do more to get cereal on trend with the health and wellness trends in the marketplace and absolutely believe that we have big opportunities in the category here. As I mentioned in the prepared remarks, three of the four core markets are actually doing better this year, but if I could kind of point to what's driving that in each of the three, Australia is actually renovation of foods. The Nutri-Grain food is doing much better in Australia as we have improved the nutrition profile of that food, as well as Be Natural, our Kashi-equivalent brand in Australia is also doing extremely well. UK has been driven by a program around Corn Flakes and versatility and how you eat your Corn Flakes. And Canada is being driven by a strong brand-building behind core brands. So it's never one thing. It's a factor of varieties that can drive these categories, and we're confident we can make this work, given time.

<Q - **Kenneth B. Goldman**>: That's very helpful. Thank you.

## Operator

The next question comes from David Palmer with RBC. Please go ahead.

<Q - **Kevin Lehmann**>: Hi. Good morning; Kevin Lehmann in for David.

<A - **John A. Bryant**>: Hi.

<Q - **Kevin Lehmann**>: How you doing? Question on DSD; one of the reasons you cited for your shift from DSD to warehouse originally was to remove any potential friction with your top retail customers who would maybe rather you go through their warehouse, particularly with regard to e-commerce. So are you seeing gains with these top partners in e-commerce specifically?

And then secondly, how are you perhaps protecting your share with other customers who maybe had weaker warehouse capabilities and have actually valued your DSD presence in the past? Thanks.

<A - **Paul T. Norman**>: Okay. So big question; the reason we originally did this was a consumer shelf-driven strategic decision, given how, when you look at the food business and the retail business, how the shopper's shopping is changing so much. So the focus was to shift our resources away from what we consider for our business, at least, to be a demoted route to market and get our resources against the shopper, the brand-building resources we need in this changing environment that the shopper shops in. Talking top-to-top with our largest customers, they all see the benefits of moving in that direction because most of our customers are moving into a click-and-collect world. Our click-and-collect for our overall e-commerce business is actually doing extremely well. It's growing in the second quarter, up [ph] 17-plus percent. (45:21) So we're doing very well and that's total e-comm. So we need to feed that trend as we go forward by moving more of our resources, marketing dollars, people dollars, against where that world is going to be, not just e-commerce, but also the smaller format environments that are growing as well.

We have a great warehouse system. Our customers have great warehouse systems. 75% of what we make as a company in North America already goes through a warehouse system, and we know we get better service and higher in-stocks in a warehouse system. So when we go to one delivered system to all of our retail partners, not just certain ones versus other ones, I can have a better deal-value-creation conversation about one platform delivered, shared efficiencies, scale benefits from the Kellogg Company that could help both us and them in what, let's face it, is a changing retail environment where they need to pivot some of their cost of investment against changing their model just to meet where the shopper shops.

So I don't know if that's the answer you're looking for. It wasn't really about friction. It was about a big strategic move to get ahead of the shopper is why we did it.

<A - **John A. Bryant**>: Kevin, if I could just add, I think all retailers win from this DSD transition. I mean, they all have the opportunity to make a stronger margin out of our brands, and you can see the level of retailer support we've had from this project, just given that to make this transition as successful as it's been, we'd have to work very closely with every single retailer across the U.S. We've had tremendous engagement and support from our retail partners. And

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

while some retail partners were better positioned at this point in time to go through this transition than others might be, there has been overwhelming support from our retail partners as we make this move.

<Q - Kevin Lehmann>: Helpful. Thank you.

## Operator

The next question comes from David Driscoll with Citi. Please go ahead.

<Q - David Cristopher Driscoll>: Great. Thank you and good morning.

<A - John A. Bryant>: Good morning, David.

<Q - David Cristopher Driscoll>: DSD, one topic, a couple of little questions, John and Paul, can we just say point-blank that we've crossed the most dangerous stages of the DSD warehouse transition at this point? Is that valid?

<A - John A. Bryant>: I think we've made tremendous progress. So we've agreed to pricing. We've agreed to planograms. We've agreed the SKU reductions. In some cases, obviously, we'll have less items on shelf, we know that, but we'll pick up more facings for key items on the shelf. We have gone through what's probably the most difficult, which is actually going from our people creating the orders and we physically deliver to the back of store, to our retail partners creating the orders and their labor supplying product to the shelf. All that is working incredibly well.

So I'd say that, yes, in terms of the highest risk factors, we are through that now. There's still things to be done. We're still in hypercare in Q3 to ensure that the shelves are set properly, that the product is flowing properly, but everything we can see is working well.

In fact, the first-wave customers, where we can see the performance of those customers, we could see that the in-stock performance is actually better in warehouse than it was when it was in DSD.

So we feel extremely good about the progress. And I would say the big risk factors are behind us. Still, things can happen to us here, but I'm feeling very, very confident about where we stand on this program.

<Q - David Cristopher Driscoll>: And then if I could just follow on, because I had this question about the early-stage customers? Do you have an early read on what's happened with the shelf space battle for those early customers where you have maybe a couple of months of data and this battle on the shelf because you still have a competitor out there, couple of competitors, saying point-blank that they're going to take shelf space from you. So just love to know if there's any early read on that shelf space battle.

<A - Paul T. Norman>: Every customer's different, to be honest. And that's not trying to skirt around the question, but some of the earlier customers, we proactively culled SKUs with the aim of strengthening our assortment to get a harder-working assortment behind our biggest brands. With some customers, we're gaining space on the shelf. Some customers, we're giving up space because of items we're deleting simplify everything, quite frankly, through the process.

And then, we're regaining space behind those deletions around biggest brands like Cheez-It or Rice Krispies Treats, et cetera, so it is a customer-by-customer picture. The aim of this, though, David, is to get a harder working portfolio.

And remember, in a DSD world relative to a warehouse world, the customer margin in the warehouse world is higher than in a DSD world. So you have big mega brands with big brand-building investment, promotional pressure, there's a real incentive for the win-win here to drive these brands harder going forward.

<Q - David Cristopher Driscoll>: Final question from me on DSD is your comments about second quarter – I apologize if I'm just getting this wrong, but Snacks' sales were flat. I think you said there was 5 points of benefits from inventory sale to the customers but that promotions were down and that took volume down about the same amount.

Company Name: Kellogg  
 Company Ticker: K US  
 Date: 2017-08-03  
 Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
 Current PX: 70.655  
 YTD Change(\$): -3.055  
 YTD Change(%): -4.145

Bloomberg Estimates - EPS  
 Current Quarter: 0.931  
 Current Year: 3.910  
 Bloomberg Estimates - Sales  
 Current Quarter: 3187.286  
 Current Year: 12646.765

However, our Nielsen data says that revenue's down like 7%. And so I'm just not clear on what we're expecting in the third quarter. I'm going to guess that third quarter will show a sizable negative because of the trends that we're seeing in Nielsen relative to flat second quarter sales. But is that right? And then big picture, can you reiterate the 17% margin guidance for this multi-year transition out of DSD for the Snacks segment? And that's it for me. Thanks, guys.

<A - Paul T. Norman>: July will be the same because we're still transitioning through July. So July, we don't expect any difference. So our ramping up of programming really comes in, in August.

That will be offset by obviously inside the P&L. Actually, Nielsen data, you'll see some improvement. In the P&L you'll see the impact of the net sales. As for the commitment we made in the past to put margins up to the norm, that commitment still stands.

<Q - David Christopher Driscoll>: Thank you.

## Operator

The next question comes from Michael Lavery with Piper Jaffray. Please go ahead.

<Q - Michael S. Lavery>: Just on the transition pacing, obviously, you've completed that now, and it was over the last few months. You've talked and I think, Paul, you just mentioned a second ago that there also was some pricing impact in the second quarter for the customers who had transitioned and who presumably were getting the trade load benefit from. What's the progression of the pricing? And how do we think about how much of that was already in the second quarter? And what's the outlook to come in terms of just phasing of that?

<A - Fareed A. Khan>: Sure, it's Fareed. And maybe I'll talk first half, second half. So we did start to see the pricing adjustments flow-through in Q2 as customers came on board, and that as well as lower promotions were the headwinds and then those were offset partially by the pipeline fill that we talked about. As we get into the second half, what we're going to see is a little bit of pipeline fill continue in Q3. We're going to see a greater degree of pricing adjustments flow-through as more and more customers come on board.

And, again, we frame the DSD top-line to be 100 basis points on a full year basis across the whole company, so, obviously, from a Snacks-specific standpoint, that will be more significant as we get into the quarter. But also importantly, in the second half, we're going to start to see the cost structure associated with the DSD network start to unwind. And that'll be more of a latter part of Q3 into Q4, but that's the sales infrastructure, the warehouse infrastructure as well.

So a lot's happening in the second half of the year. As you heard, each element is pretty much landing as we projected it, so we don't have any change in terms of the guidance for what DSD is going to do to the business.

<Q - Michael S. Lavery>: No, that's very helpful. Thank you. And just to follow-up on that, one clarification, when you talk about accelerating the top-line growth, even with the increasing headwinds from the price cuts in the DSD transition, is that still true? [ph] Total company (54:15) still expects the total sales momentum to improve over the course of the rest of the year?

<A - John A. Bryant>: Yes. So we expect the back half underlying business to improve in the back half of the year. What's driving that is even though we'll have some more headwind from the price adjustment within U.S. Snacks, we expect a meaningfully stronger performance from our European business as our Pringles business in Europe comes back, [ph] increased promotional activity. (54:45) We expect to see continued progress in businesses in North America such as Frozen and Kashi. And we expect to see our Latin American business return to growth in the back half of the year as well.

So a number of factors outside of the DSD discussion; we're expecting to see a much stronger back half that will help offset a greater impact from the price reduction going through the DSD business in the back half of the year.

<Q - Michael S. Lavery>: That's great. That's very helpful. Thank you.

Company Name: Kellogg  
Company Ticker: K US  
Date: 2017-08-03  
Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
Current PX: 70.655  
YTD Change(\$): -3.055  
YTD Change(%): -4.145

Bloomberg Estimates - EPS  
Current Quarter: 0.931  
Current Year: 3.910  
Bloomberg Estimates - Sales  
Current Quarter: 3187.286  
Current Year: 12646.765

<A - John A. Bryant>: Thank you.

## Operator

The next question comes from Jonathan Feeney with Consumer Research. Please go ahead.

<Q - Jonathan Feeney>: Good morning. Thanks very much.

<A - John A. Bryant>: Morning.

<Q - Jonathan Feeney>: Just one question, something just caught me in your presentation. There's a part related to DSD, but I wanted to ask you relative to cereal. Changing this distribution's required you to cull some tail brands. What seems to me from looking at the data, which I do a lot of these days, your Morning Foods, your cereal portfolio really has a number of big identifiable brands that maybe are not recent innovations, maybe not as proliferated. And the real underperformers in the Morning Foods category have been maybe some of the more newer brand equities or more niche-targeted brand equities, where maybe you've extended them. I guess, I'm trying to understand this, if there's not maybe a thesis here where you get back to a base, where maybe the cereal category like overextended itself for a few years. And you get back to a base of core users who probably never really changed, just the ancillary users who you attracted with new ingredients or you're trying to fight with Greek yogurt or whatever over the period of 2010, 2015 sort of fall away, but that core base does better because that seems to be somewhat happening in the data. It's not completely so, but I just kind of wanted your thought about that because certainly, we're all kind of looking for that turn. Thanks very much.

<A - Paul T. Norman>: Hey, Jonathan. Internally, we talk, focused very much on what we call the Core 6. There are six brands, which are our Frosted Flakes, Froot Loops, Rice Krispies, Special K, Mini-Wheats and Raisin Bran, plus one or two, which is Kashi [indiscernible] (57:10) Kashi Company. Those brands cover the broad spectrum of needs in the cereal category.

And so for the fundamentals of the category to work well, you have to have, we say, you've got to be firing on all cylinders across those six brands. That is innovation. That is renovation. That is great ideas. And that is excellence when it comes to in-store execution and leveraging the scale of those brands across our retail base. And so that's very much what we focus on.

So what you said is where we're going or what we're doing. As I mentioned, there are areas we can do better. We need to focus more on those health and wellness credentials across our adult brands. We also need to adapt more to the changing shopper environment as we go forward and make sure that our foods, our brands are available in those areas where the shoppers are shopping down the road. So what you said is what we're doing.

<Q - Jonathan Feeney>: I get what you're doing, but I guess what evidence can you provide or indicate like demographically or certain user, any custom work or any like facts or data you can share with us that show that that's what you need to do, that's why you're doing this and maybe that it's working or spots where it has worked?

<A - Paul T. Norman>: We segment this category through something we call demand chain. It looks at consumer and it looks at shopper. And it looks at [ph] trends (58:35) within all different age groups. So we target, whether it's millennials, boomers, families, we constantly look at how the shopper shops as part of how we motivate and drive these brands. We can do more against boomers. And we can do more against millennials and Hispanics in our portfolio. We over-index against Hispanics and do very well there. Millennials, we need to drive relevancy. This is why versatility comes into play and this is why those health and wellness credentials are really important in today's environment, but also important in the environments in which they shop and how they shop.

<Q - Jonathan Feeney>: Thank you.

Company Name: Kellogg  
Company Ticker: K US  
Date: 2017-08-03  
Event Description: Q2 2017 Earnings Call

Market Cap: 24,748.87  
Current PX: 70.655  
YTD Change(\$): -3.055  
YTD Change(%): -4.145

Bloomberg Estimates - EPS  
Current Quarter: 0.931  
Current Year: 3.910  
Bloomberg Estimates - Sales  
Current Quarter: 3187.286  
Current Year: 12646.765

## John P. Renwick, CFA

Operator, I'm afraid it's 10:30. We are out of time.

## Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to John Renwick. Please go ahead.

## John P. Renwick, CFA

Thanks, everyone, for your attention and please feel free to call any time. Thank you.

## Operator

This concludes our conference. Thank you for joining. You may now disconnect.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP.*

*© COPYRIGHT 2017, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*