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Reynolds Consumer Products, Inc. (REYN)

Q2 2024 Earnings Call

CORPORATE PARTICIPANTS

Mark David Swartzberg
Vice President-Investor Relations, Reynolds Consumer Products, Inc.

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Scott Edward Huckins
Chief Financial Officer, Reynolds Consumer Products, Inc.

OTHER PARTICIPANTS

Robert Ottenstein
Analyst, Evercore ISI

Mark S. Astrachan
Analyst, Stifel, Nicolaus & Co., Inc.

Nik Modi
Analyst, RBC Capital Markets LLC

Peter Grom
Analyst, UBS Securities LLC

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

William B. Chappell
Analyst, Truist Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Reynolds Consumer Products Inc. Second Quarter 2024 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host to Mark Swartzberg, Vice President of Investor Relations. Thank you, sir. You may begin.

Mark David Swartzberg
Vice President-Investor Relations, Reynolds Consumer Products, Inc.

Thank you, operator. Good morning and thank you for joining us for Reynolds Consumer Products second quarter earnings conference call. Please note that this call is being webcast on the Investor Relations section of our corporate website at reynoldsconsumerproducts.com. Our earnings press release and presentation slides are also available.

With me on the call today are Lance Mitchell, our President and Chief Executive Officer, and Scott Huckins, our Chief Financial Officer. Following prepared remarks, we will open the call for a question-and-answer session.

Before we begin, I would like to remind you that this morning's discussion will contain forward-looking statements which are subject to risks, uncertainties and changes in circumstances that could cause actual results and outcomes to differ materially from those described today. Please refer to the Risk Factors section in our SEC filings. The company does not intend to update or alter these forward-looking statements to reflect events or circumstances arising after the call.

During today's call, we will refer to certain non-GAAP or adjusted financial measures. Reconciliations of these GAAP to non-GAAP financial measures are available on our earnings press release, investor presentation deck and Form 10-Q, which can be found on the Investor Relations section of our site.

Now I'd like to turn the call over to Lance.

V. Lance Mitchell

President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Thank you, Mark. And good morning, everyone. Our business is performing well. We had our best second quarter earnings in our history as a public company, with the exception of the pandemic fueled second quarter of 2020. We exceeded our second quarter revenue guide, increasing retail revenue 1% as we outperformed our categories and the categories moderately outperformed our expectations.

We continue to drive product innovation and household essentials, providing consumers with new product benefits and expanding range of affordable, sustainable solutions. We continue to recruit Gen Z and millennial consumers, who now represent the majority of the US workforce. We identified and unlocked additional Reyvolution cost savings, and our ongoing commitment to reduce operational costs. And we delivered earnings exceeding our second quarter and first half objectives, further demonstrating the advantage of our business model and the effectiveness of our people in a dynamic consumer environment.

Before I review each businesses performance, I'd like to first comment on our retail trends overall. Our product innovation pipeline and our plans for driving Reyvolution cost savings. We drove sequentially improving retail trends in the second quarter and did so in an environment characterized by declines in personal savings, record levels of household debt and decreases in year-to-date [ph] SNAP funding (00:03:23).

Our products are affordable and convenient, making eating at home even more attractive when away from home consumption is pressured. And we're doing a very good job leveraging our business model and category leadership together with our retail partners. We're also accelerating innovation across RCP, increasing speed to market, expanding the range of brand and store brand products to be introduced over the next three years and adding to our growing portfolio of sustainable offerings, putting us well on track to achieve our commitment for providing sustainable solutions in all of our categories by 2025. This doesn't happen overnight and reflects our success in R&D, upgrading innovation processes, further prioritization of new products, commercial potential, and our ongoing work with our retail partners to deliver on opportunities that consumers value.

Considering our trends, our competitive advantages, and the programs that we are implementing to continue leading our categories, we expect further moderate improvement in our retail volumes on a like-for-like basis in the second half after adjusting for shipment timing and product portfolio optimization. And in terms of operational excellence, we've identified significant Reyvolution savings beyond 2024 in each of our businesses, in the areas of procurement, manufacturing and supply chain. These savings continue represent a major source of earnings growth and funds for reinvestment in our categories and leadership positions.

I'll now review our performance and outlook by business. The Reynolds Cooking & Baking business delivered another strong quarter and we're building on the business' commercial, operational and financial success. Reynolds Wrap gained additional share in the household foil category. Reynolds Kitchens parchment continued to grow, reflecting the strength of the brand, successful innovation and consumers increasing usage of parchment for Cooking & Baking.

We drove additional recruitment of younger cooks with our Chef's Kiss multiple product advertising campaign, and we maintained a high level of operational stability and advanced new plans to increase production efficiencies. It is also worth noting that Reynolds is the only vertically integrated aluminum foil manufacturer in the US, a significant competitive advantage, providing us with a high level of control over quality, continuity of supply and cost.

Our Hefty and Presto Waste & Storage bag businesses continued to perform well in the second quarter and the outlook for these businesses is strong. We delivered sequential improvement in our waste and food bag sales volumes. Product innovation remained a major driver of growth, reflecting a number of new products, including the successful expansion of Hefty Ultra Strong with Coastal Plastics (sic) [Coastal Plastic] (00:06:29), additional Hefty Fabuloso scents and the launch of Hefty Compostable Press-To-Close Food Bags. And for our store brand food bags, bio-based sandwich bags made with 20% plant and ocean materials and half gallon storage and freezer bags, continue the sequential improvement in Presto's volume. Presto is on track to launch a record number of new products this year.

Turning now to our disposable tableware segment, the initiatives we put into place earlier this year are proving effective. Volume trends continue to improve with a decrease of 1% in the second quarter, compared to declines of 6% in the first quarter and 8% in the second half of last year.

The improvement was broad-based, reflecting improvement in plates and party cups, and was driven by a number of factors including targeted trade promotions, lower pack counts and competitive price points, increases in cross-portfolio promotion. And the disposable tableware category continues to be under pressure, but trends are sequentially improving, and we have a high degree of confidence in the initiatives we're implementing to drive sales across our portfolio.

Before turning the call over to Scott, I'd like to reiterate that our business operates with a competitive advantage by providing both brands and store brands, and we have a high level of confidence in the plans and actions we're taking to continue driving our categories, increasing earnings and investing in the long-term growth.

Scott over to you.

Scott Edward Huckins

Chief Financial Officer, Reynolds Consumer Products, Inc.

Thank you, Lance. Good morning, everyone. As you saw in our press release, we delivered a strong first half of 2024 with our second quarter above expectations and very consistent with the priorities that we outlined at the beginning of the year.

Second quarter, retail revenues increased 1% to $892 million and exceeded our expectations. As Lance noted, we outperformed our categories and the categories moderately outperformed our expectations. Consolidated revenues declined 1%, reflecting the retail revenue increase and a 2 point decrease in our low margin non-retail revenues.

Our Q2 adjusted EBITDA increased by $22 million to $172 million, driven by manufacturing volume output and lower operational costs, partially offset by higher incentive compensation costs and a modest increase in advertising. And our earnings per share was $0.46, up $0.14 from the second quarter of 2023, reflecting EBITDA growth, lower interest expense from paying down debt and lower income tax expense, as we discussed on last quarter's call.

On a year-to-date basis, retail revenues were $1,687 million, while low margin non-retail revenues declined to $77 million. Adjusted EBITDA of $294 million, increased $62 million, driven by volume output and lower operational costs. Earnings per share was $0.69, up significantly from $0.40 last year. And we generated $183 million of operating cash flow, contributing to a reduction of net debt to 2.4 times, trailing 12 months adjusted EBITDA in Q2 and an additional $50 million voluntary principal payment made subsequent to quarter end.

Now turning to our guide, to reflect our strong second quarter performance, we are raising our full year 2024 revenue outlook to a range of $3,590 million to $3,670 million, compared to revenues of $3,756 million in 2023. As a part of this guide, we continue to expect pricing to reduce revenue by approximately 1%. We expect retail volume to perform at or better than our categories at a rate of minus 1 point to plus 1 point. And we expect a 2 point and 1.5 point headwind from our low margin non-retail business and optimization of our retail product portfolio.

We are raising our full year adjusted EBITDA forecast to a range of $670 million to $685 million, compared to $636 million in 2023. The new outlook for the full year reflects flow through of our second quarter performance, while maintaining our outlook for the second half, which, as Lance said, includes modest sequential improvement in our retail volume after adjusting for shipment timing in the second and third quarters. And we are increasing our full year 2024 earnings per share forecast to a range of a $1.65 to a $1.71 per share.

Other key assumptions incorporated into our full year 2024 forecast are as follows. We expect continued stability in commodity markets and our costs to modestly increase through the balance of the year. SG&A remains materially unchanged compared to SG&A in 2023. Depreciation and amortization of approximately $125 million, interest expense of approximately $100 million. The effective tax rate in the third and fourth quarters of approximately 24%, resulting in a tax rate of just over 22% for the year.

Turning to the third quarter, we are introducing our Q3 revenue guide in the range of $885 million to $915 million, versus $935 million in the third quarter of 2023. The building blocks include: a 1 point reduction due to pricing, a 2 point and 1.5 point reduction to a 1.5 point increase from retail volume, including the reversal of approximately $15 million of benefit from retailer orders shifting from the third quarter into the second quarter and a 2 point reduction from lower margin non-retail volume and further optimization of the retail product portfolio.

We forecast third quarter adjusted EBITDA in a range of $165 million to $175 million, representing a modest increase over third quarter 2023 adjusted EBITDA. Net income to be in the range of $82 million to $90 million and earnings per share in a range of $0.39 to $0.43 versus $0.37 in the year ago period.

Of course, this guide implies what our expectations are for the fourth quarter. It is worth reminding that we expect to return to historical phasing of quarterly earnings in 2024 in contrast to last year, when Reynolds Cooking & Baking's fourth quarter benefited from particularly strong and expected levels of production resulting from recovery initiatives.

In the fourth quarter, we also anticipate an approximately $10 million increase in combined costs from the flow through of aluminum purchased during the second quarter when spot market prices were higher than they are today and premiums paid for cooking bag as we transition to the in-sourcing of this product offering. In terms of capital allocation, our priorities are unchanged. We continue to estimate free cash flow of over $300 million for the full year and expect net debt leverage to remain within our target of 2 times to 2.5 times adjusted EBITDA.

Before wrapping up and speaking to long-term earnings drivers, I want to briefly discuss scanner data. As you know, Circana recently expanded its MULO database to capture more of the total retail market for consumer goods. As such, MULO+ captures substantially more of the total retail market for our products than Nielsen.

In the second quarter, our overall categories were approximately 130 basis points stronger in the MULO+ than in Nielsen tracked channels and as much as 3 points higher in certain categories. It is also important to remember that a large portion of our business is store brands, labeled as such in Circana's MULO+ and Nielsen tracked channels so that remains a limitation to visibility in syndicated scanner data.

In closing our second quarter results were above expectations and contributed to our strong first half of 2024 and increased guide for full year 2024. Stability and strong execution remain major drivers of our performance and I am very pleased with our operational performance and disciplined cost management.

And in terms of the long-term, we plan to continue leading our categories by leveraging our business model and investing in our product portfolio. We are accelerating product innovation across RCP representing significant added share and growth potential beyond 2024. We are leaning into Reyvolution cost savings and expect them to remain a major driver of margin in approximately one-third of our profit growth over the long-term. And we are driving cash flow and plan to continue increasing financial flexibility to invest in strategic opportunities.

With that, let's turn to your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from Robert Ottenstein with Evercore. Please proceed with your question.

Robert Ottenstein
Analyst, Evercore ISI

Q

Great. Thank you very much. And nice quarter, guys. So, Scott, you mentioned, that you're looking for a moderate improvement in retail volume in the second half on a like-for-like basis. Can you just kind of take us through the various building blocks behind that? Thank you.

Scott Edward Huckins
Chief Financial Officer, Reynolds Consumer Products, Inc.

A

Yeah. Good morning, Robert. Thanks for the question. So the way we look at it is we start with the as-reported retail volumes and we make two adjustments. First, we remove the effect of any product portfolio optimization. And second, particularly for Q2, Q3, the effect of any retail order timing differences. That remainder, if you might call it kind of core or base retail volume, we improved sequentially from Q1 to Q2, call it 150 basis points. The guide contemplates the sequential improvement year-over-year from Q2 to Q3 [ph] up 50 basis points (00:18:31). And in turn, another sequential improvement, Q3 to Q4, again, roughly 50 basis points. And the intent of that original comment in the prepared remarks was to make clear exactly that point. It's important to look at that bottom line core retail volume.

Robert Ottenstein
Analyst, Evercore ISI

Q

And then you mentioned that the categories moderately outperformed your expectations. Do you think that's a direct result of a somewhat weaker consumer who's – just not going out as much and is therefore likely to continue going through – going forward through this difficult period?

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Yeah. Robert I'll take that one. This is Lance. That is part of the equation. Yes, we have seen with the pressure on out of home dining and the costs, we've seen people going back and they're eating more at home. But also recall that these categories are household essentials and they're convenient, low cost that the people need every day.

Robert Ottenstein
Analyst, Evercore ISI

Q

Great. Thank you.

Operator: Our next question comes from Mark Astrachan with Stifel. Please proceed with your question.

Mark S. Astrachan
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yeah, thanks. And good morning, everybody. I guess, firstly, just given what's going on in the broader economy and a lot of commentary, that's not necessarily positive out of a lot of consumer facing companies. Could you just give an update on how things are going into 3Q or in July so far?

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Thanks, Mark. This is Lance. We've previously not commented on intra-quarter performance, but as you said, given the concerns about the broader economy and the impact on company's performance, I think it's important we make that exception for this quarter. Our July performance was right in line with our expectations, and consumer takeaway in our categories was also in line with our expectations throughout July. And recall, we have – as we talked about sequential modest improvement in the core retail sales volume factored into our guide.

Mark S. Astrachan
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Got it. That's helpful. And then the comments Scott that you had made about the new scanner data channels, I think we've seen similar things for your business and for others as well in terms of the outperformance for some of those new tracked channels, club online, et cetera. I guess I'm curious for your business, what do you think is driving it? How sustainable is it? Just remind us if there's any margin differential on those channels versus legacy. And just lastly and related to that, is there any differential in your exposure from brands versus private label for those customers?

Scott Edward Huckins
Chief Financial Officer, Reynolds Consumer Products, Inc.

A

I'll start. Lance, Lance may add on. I think the structural observation is that MULO+ is obviously picking up more of the actual shopping behavior in the marketplace. And as I think I shared in the prepared remarks we saw outperformance of about 130 basis points versus "Nielsen" tracked channel. An example would be in our foil business that was about 3 points better in MULO+ than what Nielsen would have revealed. So it's hard to explain why those indexes are different other than just pointing out the obvious that it's a broader cross-section of consumer behavior. I think your second question got into margins, and we wouldn't call out any significant difference or material difference in margin profile of the difference between those two tracked channel observations. So hopefully, that's responsive.

Mark S. Astrachan
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Got it. Okay. Thank you.

Operator: Our next question comes from Nik Modi with RBC Capital Markets. Please proceed with your question.

Nik Modi
Analyst, RBC Capital Markets LLC

Q

Thank you. Good morning, everyone. Lance, I think you guys have been a lot more realistic about the economic situation than I think most companies across the consumer goods landscape. So I'm just curious on your take kind of what you guys are seeing. I mean, do you think we've hit the bottom because, depending on where we are in the ecosystem, it seems like things are getting worse. I think, echoing some of the comments made prior and some of the questions. So we'd love to get your perspective on that?

And then, just kind of dovetailing with that, promotions, I guess, have been ramping pretty broadly. But you guys were able to still put up flat pricing overall and even up in some cases. So just wanted to get some of your perspective around kind of what you're seeing in that – in the pricing promotion environment? Thanks.

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Hey Nik, we believe and we said this at the beginning of the year that consumers are under pressure. And I said this in my prepared remarks, so declines in personal savings records of – record levels of household debt and [ph] SNAP funding (00:23:42), so down significantly. But our categories are household essentials that are affordable and convenient and we're getting the benefit from people eating away from home less frequently.

So we expect to continue outperforming our categories, and we've maintained our category expectations for the second half. So we haven't changed our outlook for the second half from a category standpoint. And we believe that it's modestly going to improve, but not – no significant change. As far as promotional levels, given the retail environment, it's returned to pre-pandemic levels and we've invested accordingly. About 20% of our product sales are on promotion, which is consistent with what we had in our plan, in our guide. And I will tell you that in Q3 and Q4, 90-plus-percent of the promotions are already locked. So it's something that we can forecast with accuracy.

Nik Modi
Analyst, RBC Capital Markets LLC

Q

Great. And if I could just ask one more follow-up on bag – waste bags, in terms of what the shelf space dynamic is, I mean, obviously, Clorox has been coming out of the cyberattack trying to get back space. Just curious on kind of are you holding on to more space than you had anticipated? Any perspective around that would be helpful?

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Well, let me start by saying that – I'll go into a little more broad detail on the actual question. In the second quarter and year-to-date, both Hefty and private label gained share. And as you know, we're also a major player in private label waste bags. To answer your point specifically, our total points of distribution are up year-to-date double digits. And looking forward, our price points are in a good place and we're happy with the price gaps. Our promotional calendar as I said a moment ago is strong and it's locked and we're really excited about a new ad campaign we have with John Cena. So we've been successfully growing our brand and store brands in this category for the last eight years, and we see that continuing going forward.

Nik Modi
Analyst, RBC Capital Markets LLC

Q

Excellent. Thank you. I'll pass it on.

Operator: Our next question comes from Peter Grom with UBS. Please proceed with your question.

Peter Grom
Analyst, UBS Securities LLC

Q

Thanks, operator. Good morning, everyone, and hope you're doing well. Scott, I was hoping to get some perspective on kind of the gross margin progression from here. I know the full year outlook still calls for commodity costs that are stable. But I think you mentioned in your prepared remarks that you expect cost to modestly increase through the balance of the year. You also called out there's $10 million headwind in 4Q.

So we'd just be curious how we should be thinking about the gross margin progression in the balance of the year just given the strong first half? And then maybe building on that, just bigger picture, can you maybe just unpack in terms of what you're seeing across your key inputs and how we should be thinking about maybe inflation at the stage looking out to 2025? Thanks.

Scott Edward Huckins
Chief Financial Officer, Reynolds Consumer Products, Inc.

A

You bet. Thanks for the question. Good morning. So I think probably the most important part of the gross margin story is when we introduced the full year guide. I think the takeaway was around a 200 basis point improvement in gross margin. And that's exactly what we continue to see and what is factored into the guide for a full year.

As we breakdown margin performance between Q3 and Q4, we have a little bit of expansion in Q3, a little bit of contraction in Q4. You hit it and I took that in my prepared remarks for that reason to highlight, call it $10 million of costs being absorbed in the fourth quarter. So that's my attempt to kind of give you the rack and stack of gross margin.

In terms of the underlying commodities the core two would be, of course, resin and aluminum. They have different characteristics. Aluminum has been extremely volatile. I'll use quoted LME, London Metal Exchange prices, started the year at $1, Q2 spiked significantly up to as high as about a $1.20, as of yesterday it was back under a $1.

So that was the flag for the $10 million of flow through or included in the [indiscernible] (00:28:09) of flow through for Q4. Resin, on the other hand, has drifted up consistently throughout the year in January and April and even this month, both though importantly have been factored into our guidance. So we're aware of those changes in each of those underlying commodities and are expressly factored into the outlook.

Peter Grom
Analyst, UBS Securities LLC

Q

Great. Super helpful. I'll pass it on.

Operator: Our next question comes from Lauren Lieberman with Barclays. Please proceed with your question.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Great. Thanks. Good morning, guys. Just wanted to catch up a bit on Hefty Tableware. So wanted to just kind of get a status report on some of the turnaround efforts there. And then, in particular, margins did take a step down this quarter. So I just, is it just comparisons or is it reflective of kind of increased investment in that segment to get the business going again? Thanks.

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Thanks, Lauren. Yes, we're very pleased with the performance from a sales recovery standpoint in our Tableware segment. Our Tableware promotions were even more effective than we had anticipated in driving volume. But it also did effect to a limited extent, as expected, our margins. The Tableware and Reynolds Cooking & Baking are two seasonal businesses with significant holiday product promotions, some different promotional programs and timing by comparison, the prior year also contributed the timing benefit in the quarter. As a reminder, also we have a really strong private label business in the Tableware category and private label took share in these categories in Q2.

Operator: Our next question comes from Andrea Teixeira with JPMorgan. Please proceed with your question.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

Thanks operator. And good morning, everyone. So I was hoping, so if you can comment a bit, Lance you discussed the pricing on – from a kind of category perspective and promo. But I was hoping given you are quite balanced with both branded and non-branded and store brands. If you can comment on the trade downs and how you're seeing consumers and how you're employing RGM, you mentioned some of the promotions kind of yielded better than anticipated just now on the Hefty Tableware. So I was wondering if you're seeing a stabilization of that potential down trade or how within your portfolio you're seeing the dynamics between brands and non-brand?

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Thank you, Andrea. The private label sales line is back to 2019 levels. We saw an increase in brands through the pandemic. And now that we've seen that [ph] reserves (00:31:07), there's been a modest increase in private label in some of our categories, and we're benefiting from those increases as well as driving some brand share at the same time.

The gaps between brands and private label really depend on the category, and it provides a strong foundation for how we're implementing our promotional programs and driving our volume above category forecast. So we're managing that margin very effectively, we demonstrated that by the stronger than expected profitability in Q1 and Q2.

I encourage you to look at our Presto margins and year-to-date in Q2 as well. And it really reflects our success in providing retail partners the category insights and products they need, along with consumers need for the right combination of performance, reliability and value. And as I mentioned in my prepared remarks, Presto was on track to launch a record number of new products, which also contributes to margin performance in the store brand categories.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

That's helpful, Lance. But one of the things that I remember since the IPO right there was the price points, especially for aluminum, which you don't have private label, right. So you just have your brand, Reynolds. So I was hoping to see how do you – it seems like you commented before, the price gaps seem healthy How we should be thinking as you explore [ph] potentially packs (00:32:41) anything into the holidays especially for the baking side of the business. Like anything you can share, as you said, you have a lot of innovation coming up for Presto.

But I was hoping to see if the Cooking & Baking, which is a high profitability business for you, if we're seeing kind of that business. And again, I give a lot of praise for what you have done since last year, kind of stabilizing that, stabilizing the price points. But just hoping to see if you're seeing specifically in Cooking & Baking things kind of like settle in price points and as you look at the outlook into the balance of the year? Thank you.

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Yeah. On Cooking & Baking the Reynolds Wrap brand specifically has gained share points throughout this year. So we're very satisfied that we've got the right price gaps and we've got the right promotional programs and advertising to go – and we're focused on millennials and Gen Zs in our advertising on use occasions. So the fact that we're gaining share and the fact that we've got the right price gaps, we are well positioned as we go into the holiday season for Cooking & Baking. Parchment paper is growing at double-digits. We've got a very strong brand share in that category and we're pleased with the performance there. So it's really about focusing on continued use occasions to grow the entire category.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

Okay. Helpful. Thank you.

Operator: [Operator Instructions] Our next question comes from Bill Chappell with Truist Securities. Please proceed with your question.

William B. Chappell
Analyst, Truist Securities, Inc.

Q

Thanks. Good morning. A couple bigger picture questions. When you look at the – what we've observed from foodservice weakness from McDonald's or Lamb Weston or others over the past couple of months, do you think your business is kind of benefiting from the consumer shift to home? Is that directly reflective of that or am I making too much of that?

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

We think there's a modest improvement as a result of that was a factor, given the nature of our products, they're affordable and convenient, as I said a moment ago, as well as our effectiveness in leading the category. But to your point, quick-service restaurant volumes are down 2% in the second quarter. And that's a continuing – continued trend of low-single digit declines from previous lapping of other quarters. And we believe one of the factors contributing to this is the higher rate of inflation in food away from home. So for the last 52 weeks, the CPI for food away from home is up 4% versus 1% for food at home. So it is a contributing factor. We don't think it's a significant factor, but it is one of many factors of why we are outpacing our categories and why the category is performing better than we'd expected.

William B. Chappell
Analyst, Truist Securities, Inc.

Q

No, that's helpful. Thanks. And then, second, just going back to the promotional issue, is it and maybe I'm just talking out loud, but is it more the fact that you're in three or four categories in which there are duopolies and so the promotional level, it really depends on what your competitor or competitors do less about the overall kind of CPG promotional level. Is that fair? And that's kind of why you're not seeing or we're not hearing what a lot of your competitor or peers are saying?

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

A

Our promotional programs are primarily focused on working with our retail partners to ensure the total category grows. So when we put our promotional programs together, it's a category management, plus a retail discussion and really in partnership with our retail partners to determine what the promotional programs will be for the quarters ahead. And as I mentioned a moment ago, it's usually six months in advance. So we're already locked in most of the promotions for Q3 and Q4.

William B. Chappell
Analyst, Truist Securities, Inc.

Q

Got it. Thanks so much.

Operator: There are no further questions at this time. I would now like to turn the floor back over to Lance Mitchell for closing comments.

V. Lance Mitchell
President, Chief Executive Officer & Director, Reynolds Consumer Products, Inc.

Well, thank you, operator. And thank you, everyone, for the gifting your time today. I want to take a moment to thank and congratulate the 6,000 Reynolds Consumer Product team members that are contributed to the success of our business every day. They're the ones who are making a reporting a successful quarter possible and continued growth in our company. My sincere gratitude to all of my teammates. And I ask you and them to continue to be safe. Thank you.

Operator: This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.