

PepsiCo, Inc. Q4 2020 Prepared Management Remarks
Reconciliation of GAAP and Non-GAAP Information (unaudited)¹

In discussing financial results and guidance, the Company refers to the following measures which are not in accordance with U.S. Generally Accepted Accounting Principles (GAAP): organic revenue growth, core results, core constant currency results, and adjusted core results. We use these non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures provides additional information to facilitate comparison of our historical operating results and trends in our underlying operating results, and provides additional transparency on how we evaluate our business. We also believe presenting these measures allows investors to view our performance using the same measures that we use in evaluating our financial and business performance and trends.

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include: amounts related to mark-to-market gains or losses (non-cash); charges related to restructuring plans; amounts associated with mergers, acquisitions, divestitures and other structural changes; certain charges taken as a result of the COVID-19 pandemic; pension and retiree medical related items; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; amounts related to the resolution of tax positions; tax benefits related to reorganizations of our operations; debt redemptions, cash tender or exchange offers; asset impairments (non-cash); and remeasurements of net monetary assets. See below for a description of adjustments to our U.S. GAAP financial measures included herein.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

Organic revenue growth: A measure that adjusts for impacts of acquisitions, divestitures and other structural changes, foreign exchange translation and, where applicable, the impact of the 53rd reporting week.

Constant currency: Financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current-year U.S. dollar results by the current-year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior-year average foreign exchange rates.

Core results: Core results are non-GAAP financial measures which exclude certain items from our reported results. For further information regarding these excluded items for the periods presented, refer to “Items Affecting Comparability” in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2020 Form 10-K. For the periods presented, core results exclude the following items:

Mark-to-market net impact: Mark-to-market net gains and losses on commodity derivatives in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit.

Restructuring and impairment charges: Expenses related to the multi-year productivity plan publicly announced in 2019.

Inventory fair value adjustments and merger and integration charges: Charges related to our acquisitions of BFY Brands, Inc. (BFY Brands), Rockstar Energy Beverages (Rockstar), Pioneer Food Group Ltd. (Pioneer Foods) and Hangzhou Haomusi Food Co., Ltd. (Be & Cheery).

Pension-related settlement charges: In the year ended December 26, 2020, we recorded a pension settlement charge related to lump sum distributions exceeding the total of annual service and interest cost.

Net tax related to the Tax Cuts and Jobs Act: During the fourth quarter of 2017, the TCJ Act was enacted in the United States. In periods subsequent to the enactment of the TCJ Act, we recognized certain tax benefits and/or expenses associated therewith.

¹ For a full discussion of our fourth quarter and full-year 2020 financial results, including definitions we use in discussing our financial results, please refer to our fourth quarter and full-year 2020 earnings release and our annual report on Form 10-K for the fiscal year ended December 26, 2020 (2020 Form 10-K) both available at pepsico.com/investors.

Adjusted Core Operating Margin: Adjusted core operating margin performance further adjusts core operating margin for certain charges taken as a result of COVID-19 pandemic, such as costs related to expanded benefits and frontline incentives, the provision of personal protective equipment and increased sanitation, allowances for credit losses, upfront payment reserves and inventory write-offs. For further information regarding these excluded charges for the year ended December 26, 2020, refer to “Our Divisions” in Note 1 to our consolidated financial statements in our 2020 Form 10-K.

2021 guidance, first quarter 2021 organic revenue performance and long-term organic revenue and core constant currency EPS targets: Our 2021 organic revenue growth guidance, our first quarter 2021 organic revenue expectation and our long-term organic revenue growth target exclude the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. Our 2021 core effective tax rate guidance, our 2021 core constant currency EPS growth guidance and our long-term core constant currency EPS growth target exclude the mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2021 core constant currency EPS growth guidance and long-term core constant currency EPS growth target also exclude the impact of foreign exchange translation. We are unable to reconcile our full-year projected 2021, our first quarter 2021 or our long-term organic revenue growth to our full-year projected 2021, our first quarter 2021 and long-term reported net revenue growth because we are unable to predict the full-year 2021, our first quarter 2021 and long-term impact of foreign exchange due to the unpredictability of future changes in foreign exchange rates and because we are unable to predict the occurrence or impact of any acquisitions, divestitures or other structural changes. We are also not able to reconcile our full-year projected 2021 core effective tax rate to our full-year projected 2021 reported effective tax rate and our full-year projected 2021 or long-term core constant currency EPS growth to our full-year projected 2021 and long-term reported EPS growth because we are unable to predict the 2021 and long-term impact of foreign exchange or the mark-to-market net impact on commodity derivatives due to the unpredictability of future changes in foreign exchange rates and commodity prices. Therefore, we are unable to provide a reconciliation of these measures.

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information
(unaudited)

Net Revenue Growth Reconciliation

| | Quarter Ended 12/26/2020 | | | |
|---|------------------------------------|------------------------------|-------------------------------|---------------------------------------|
| | Reported % Change, GAAP Measure | Impact of | | Organic % Change, Non-GAAP Measure |
| | | Foreign exchange translation | Acquisitions and divestitures | |
| PepsiCo | 9 % | 2 | (5) | 6 % |
| Frito-Lay North America (FLNA) | 6 % | — | (1) | 5 % |
| Quaker Foods North America (QFNA) | 8 % | — | — | 8 % |
| PepsiCo Beverages North America (PBNA) | 9 % | — | (3) | 5.5 % |
| North America | 7 % | — | (2) | 5 % |
| International | 11 % | 4 | (9) | 6 % |
| Global snacks and food | 9 % | 2 | (6) | 5 % |
| Global beverages | 8 % | 1 | (3) | 6 % |
| International snacks | 13 % | 5 | (13) | 5 % |
| International beverages | 6 % | 3 | (2) | 7 % |
| International developed markets | DD% | (MSD) | — | MSD% |
| International developing and emerging markets | DD% | HSD | (DD) | MSD% |

Net Revenue Growth Reconciliation

| | Year Ended 12/26/2020 | | | |
|----------------|------------------------------------|------------------------------|-------------------------------|---------------------------------------|
| | Reported % Change, GAAP Measure | Impact of | | Organic % Change, Non-GAAP Measure |
| | | Foreign exchange translation | Acquisitions and divestitures | |
| PepsiCo | 5 % | 2 | (3) | 4 % |
| FLNA | 7 % | — | (1) | 6 % |
| QFNA | 10 % | — | — | 11 % |

Net Revenue Growth Reconciliation

| | Quarter Ended 3/21/2020 | | | |
|----------------|------------------------------------|------------------------------|-------------------------------|---------------------------------------|
| | Reported % Change, GAAP Measure | Impact of | | Organic % Change, Non-GAAP Measure |
| | | Foreign exchange translation | Acquisitions and divestitures | |
| PepsiCo | 8 % | — | — | 8 % |

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Reconciliation of GAAP and Non-GAAP Information
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Operating Profit Growth Reconciliation

Quarter Ended 12/26/2020

| | Impact of Items Affecting Comparability | | | | Impact of | | Core Constant Currency % Change, Non- GAAP Measure |
|----------------|--|----------------------------------|---|---|--|------------------------------------|---|
| | Reported % Change, GAAP Measure | Mark-to- market net impact | Restructuring and impairment charges | Inventory fair value adjustments and merger and integration charges | Core % Change, Non- GAAP Measure ^(a) | Foreign exchange translation | |
| PepsiCo | 5 % | (1.5) | 3 | (2) | 4 % | 2 | 6 % |
| FLNA | (4) % | — | 5 | — | 1 % | — | 1 % |
| QFNA | DD% | — | LSD | — | DD% | — | DD% |
| PBNA | 19 % | — | 1 | 1 | 21 % | — | 21 % |

Operating Profit Growth Reconciliation

Year Ended 12/26/2020

| | Impact of Items Affecting Comparability | | | Impact of | | Core Constant Currency % Change, Non- GAAP Measure |
|------|--|---|--|--|------------------------------------|---|
| | Reported % Change, GAAP Measure | Restructuring and impairment charges | Inventory fair value adjustments and merger and integration charges | Core % Change, Non- GAAP Measure ^(a) | Foreign exchange translation | |
| FLNA | 2 % | 1 | 1 | 3 % | — | 3 % |
| QFNA | DD% | — | — | DD% | — | DD% |

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information
(unaudited)

Net Revenue Growth Reconciliation

| | Quarter Ended 12/26/2020 | | | |
|---|---------------------------------------|------------------------------------|----------------------------------|---|
| | Reported % Change, GAAP Measure | Impact of | | Organic % Change, Non- GAAP Measure |
| | | Foreign exchange translation | Acquisitions and divestitures | |
| Latin America: | | | | |
| Brazil | (DD) % | DD % | — % | DD % |
| Europe: | | | | |
| Germany | DD % | (HSD) % | — % | HSD % |
| United Kingdom | HSD % | (MSD) % | — % | MSD % |
| Russia | (DD) % | DD % | — % | MSD % |
| Africa, Middle East and South Asia: | | | | |
| India | MSD % | MSD % | — % | HSD % |
| Asia Pacific, Australia and New Zealand and China Region: | | | | |
| Australia | DD % | (MSD) % | — % | HSD % |
| China | DD % | (MSD) % | (DD) % | HSD % |

Diluted Earnings Per Share (EPS) Growth Reconciliation

| | Quarter Ended 12/26/2020 |
|---|-----------------------------|
| Reported diluted EPS growth | 5 % |
| Mark-to-market net impact | (2) |
| Restructuring and impairment charges | 3 |
| Inventory fair value adjustments and merger and integration charges | (2) |
| Pension-related settlement charges | (3) |
| Net tax related to the TCJ Act | (1) |
| Core diluted EPS growth | 1 % |
| Impact of foreign exchange translation | 2 |
| Core constant currency diluted EPS growth | 3 % |

Gross Margin Performance Reconciliation

| | Year Ended 12/26/2020 |
|--------------------------------------|--------------------------|
| Reported gross margin performance | (32) bps |
| Mark-to-market net impact | (1) |
| Restructuring and impairment charges | (13) |
| Core gross margin performance | (46) bps |

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| Operating Margin Performance Reconciliation | Year Ended 12/26/2020 |
|---|--------------------------|
| Reported operating margin performance | (100) bps |
| Mark-to-market net impact | 6 |
| Restructuring and impairment charges | (17) |
| Inventory fair value adjustments and merger and integration charges | 28 |
| Core operating margin performance | (82) bps |
| Charges taken as a result of the COVID-19 pandemic | 110 |
| Adjusted core operating margin performance | 28 bps |