



**Fourth Quarter/Full Year 2023
Prepared Management Remarks**
February 9, 2024

Please view these remarks in conjunction with our Q4 2023 earnings release, 2023 Form 10-K and GAAP/non-GAAP reconciliations that can be found on our website at www.pepsico.com under the Investors section, or via the following link:
<https://www.pepsico.com/investors/financial-information/quarterly-earnings>

We also invite you to listen to our live question and answer webcast with Ramon Laguarta (Chairman and Chief Executive Officer) and Jamie Caulfield (Executive Vice President and Chief Financial Officer), which will begin today at 8:15 a.m. Eastern Time and will also be available on www.pepsico.com.

Cautionary Statement

These prepared remarks contain forward-looking statements, including about our business plans and 2024 guidance. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, February 9, 2024, and we are under no obligation to update. When discussing our results, we refer to non-GAAP measures, which exclude certain items from reported results.

Please refer to our Q4 2023 earnings release and 2023 Form 10-K, available on [pepsico.com](https://www.pepsico.com), for definitions and reconciliations of non-GAAP measures and additional information regarding our results, including a discussion of factors that could cause actual results to materially differ from forward-looking statements.

As a reminder, our fiscal year ends on the last Saturday of each December which resulted in a 53rd reporting week in our fourth quarter and fiscal year 2022 financial results.

As a result, our fourth quarter 2023 financial results in the United States and Canada (North America) reflect the 16 weeks ended December 30, 2023 (compared to 17 weeks ended December 31, 2022). All our international operations report on a monthly calendar basis for which the entire months of September, October, November, and December are included for both 2023 and 2022.

Chairman and CEO and CFO Full Year 2023 Commentary

We are pleased with our results for 2023 as PepsiCo delivered 9.5 percent organic revenue growth. This compares to 14.4 percent organic revenue growth in 2022 and brings our three-year compound annual organic revenue growth rate to 11 percent.

Our global convenient foods business delivered 10 percent organic revenue growth while our global beverage business delivered 8 percent organic revenue growth in 2023.

This strong top-line performance coupled with the benefits of robust cost management programs resulted in 100 basis points of core gross margin expansion and 90 basis points of core operating margin expansion, which also reflects a double-digit increase in our advertising and marketing expenses.

As a result, our core constant currency EPS increased 14 percent – the third consecutive year in which we have delivered double-digit core constant currency EPS growth. In addition, free cash flow improved nearly 40 percent to \$8.1 billion and we returned \$7.7 billion of cash to shareholders through \$6.7 billion in dividends and \$1 billion in share repurchases.

Since embarking on our aspirations to modernize our company and accelerate growth, our total net revenue and core EPS have risen more than 35 percent since 2019 to the record levels achieved in 2023.

From a marketplace perspective, in 2023 we held or gained share in more than half our key global beverage and convenient foods markets and received the #1 manufacturer ranking in the Kantar PowerRanking survey for the eighth consecutive year, a testament to the strong and collaborative relationships we maintain with our valued customers and partners.

Our performance has benefited from the continued investments we have made in our people, brands, supply chain, go-to-market systems, and technology over recent years to become an ‘Even Faster, Even Stronger, and Even Better’ organization. For example, we have:

- Expanded our product portfolio, by extending its depth and breadth in both global beverages and convenient foods to capture the evolving preferences of our consumers across a broad spectrum of occasions from make-your-own to ready-to-drink beverages (including low-alcohol), and from snacks and mini-meals to meals, spanning breakfast through dinner;
- Sharpened our holistic cost management initiatives by extending the reach of our Global Business Services initiative, increasing automation within our plants and minimizing waste across our value chain, enabling us to deliver more than \$1 billion in productivity savings;
- Advanced our digital transformation journey by building and leveraging data-driven capabilities to enable faster decision making, optimize our go-to-market distribution, and improve in-store execution;

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- Continued to modernize and harmonize our IT systems across certain businesses and countries; and
- Advanced pep+ (PepsiCo Positive) -- our strategic end-to-end business transformation agenda designed to drive long-term sustainable performance and value by focusing on three interconnected pillars which include:
 - Evolving our portfolio to continue to offer more positive choices with portion-control packages, zero sugar beverages, convenient foods with lower sodium, low-or- no saturated fat content and more diverse ingredients, while also scaling new business models that require little or no single-use packaging, such as our global SodaStream platform and Gatorade powders and tablets;
 - Taking bold actions aimed to reduce our climate-related impacts, help replenish watersheds, minimize water use, develop and deploy more sustainable packaging, and recapture packaging materials; and
 - Helping farmers grow food in a way that revitalizes the earth and helps support their livelihoods. By prioritizing sustainable food systems, we are working to help mitigate environmental and social risks, while also preserving natural resources for future generations.

Our results and progress support our belief that we have effective strategies and advantaged capabilities to win in the marketplace and deliver durable long-term operating and financial results.

We thank and commend our terrific associates around the globe who have shown tremendous resilience and agility in 2023. Our performance would not have been possible without their dedication.

As we look ahead to 2024, we expect our business to continue to perform well and to deliver solid topline growth in an environment where we expect consumer preferences and behaviors to largely revert to pre-pandemic norms (such as returning to work, travelling more often, and consuming more away-from-home than at-home), albeit with a greater focus on convenience and good value.

Furthermore, we expect our category growth rates to moderate versus recent years, with less net revenue realization, reflecting our expectation of moderating inflationary pressures.

In the coming year, we will elevate the focus on our holistic cost management initiatives to accelerate productivity and use the savings to both mitigate cost inflation and prioritize support for more investments in our brands, innovation, and channel expansion.

As a result, we now expect to deliver at least 4 percent organic revenue growth and at least 8 percent core constant currency earnings per share growth in 2024, which should result in another year of record performance. We also announced a 7 percent increase in our annualized dividend, starting with our June 2024 payment which represents our 52nd consecutive annual increase.

To conclude, we believe that our company remains well positioned to succeed, underpinned by our leading brands, a highly relevant and evolving product portfolio that satisfies a vast array of consumer occasions, broad marketplace reach, strong commercial and execution capabilities, a well-established global footprint, and a dedicated and talented team of associates.

Fourth Quarter PepsiCo Financial Review

Organic revenue increased 4.5 percent, which compares to 14.6 percent organic revenue growth during the fourth quarter of 2022. Global convenient foods organic revenue increased 5 percent and global beverage organic revenue increased 4 percent.

Organic volume declined for our businesses as category growth rates moderated, while consumer preferences have continued to evolve towards smaller pack sizes that offer convenience and affordability. In addition, our organic volume performance was negatively impacted by a product recall at Quaker Foods North America as well as business disruptions in certain markets due to international conflicts.

Core gross margin and core operating margin expanded 95 basis points reflecting the benefits of our holistic cost management initiatives, partially offset by ongoing inflationary pressures, planned business investments and a \$100 million discretionary contribution to our charitable foundation that supports initiatives related to food security, safe water, economic opportunity and disaster relief in the communities we serve.

Core constant currency EPS increased 9 percent reflecting the benefits of organic revenue growth and operating margin expansion.

North America Divisions Review

For the full year, our North America business delivered 8 percent organic revenue growth with a 50-basis point improvement in core operating margin, which includes an increase in advertising and marketing spend.

For the fourth quarter, our North America business delivered 2 percent organic revenue growth, while core operating margin was similar to the prior year level.

Organic volume performance was impacted by a moderation in category growth as consumer budgets have been affected by elevated borrowing costs and lower personal savings, which have driven preferences towards smaller pack sizes and immediate consumption channels. As a result, unit package performance fared better than organic volume performance for both convenient foods and beverages in 2023.

Frito-Lay North America delivered 9 percent organic revenue growth in 2023 – which compares to 17 percent organic revenue growth in 2022. Our business gained market share across the savory and macro snack categories for the full year.

Core operating margin expanded 35 basis points for the full year and reflects the benefits of our cost management initiatives, an increase in advertising and marketing spend and planned business investments.

In the fourth quarter, organic revenue increased 3 percent – which compares to 18 percent organic revenue growth in the prior year quarter.

Core operating margin was similar to the prior year level and reflects the benefits of our cost management actions offset by planned business investments.

Frito-Lay's performance for the full year was aided by offering more choices to meet the changing needs and preferences of consumers, through actions such as:

- Expanding the variety of positive choice offerings with our air popped, baked, reduced fat, lightly salted and Simply branded products, as well as smaller pack sizes that satisfy consumer demand for portion control;
- Refreshing and extending our lineup of bold flavor profiles across large brands with Cheetos Flamin' Hot Tangy Chili Fusion, Doritos Sizzlin' Hot, Tostitos Mexican Style Three Cheese, Doritos Spicy Pineapple Jalapeno, Funyuns Spicy Queso Onion Flavored Rings, Ruffles Flamin' Hot Queso, and Smartfood Doritos Nacho Cheese Flavored Popcorn;
- Offering more packaging diversification with multipacks, variety packs and the introduction of Frito-Lay Minis, which are bite-size versions of our Doritos, Cheetos and SunChips brands that are packaged in an easy-to-pour canister - with more varieties expected in the future; and
- Expanding the scope and presence of our products and packages to capture new consumer occasions across the away-from-home channel by extending our brands into meal occasions with products such as the Tostitos, Fritos and Doritos walking taco and offering brand-specific experiential platforms with food trucks, carts and pop-up eating destinations.

As a result, many of our iconic brands achieved strong full year net revenue growth on a 52-week basis, with Cheetos, Doritos, and Fritos each delivering double-digit growth while Ruffles and Lay's delivered high-single-digit and mid-single-digit growth, respectively.

Our smaller brands geared towards nutritious or specialty snacking occasions such as PopCorners, SunChips and Miss Vickie's each delivered double-digit net revenue growth for the full year, on a 52-week basis.

Quaker Foods North America organic revenue increased 1 percent for the full year with double-digit net revenue growth in lite snacks and pancake syrup and mix, on a 52-week basis. Our business gained market share in lite snacks, pancake syrup and mix, and grits for the full year.

Core operating margin increased 95 basis points for the full year and reflects the benefits of our cost management initiatives, an increase in advertising and marketing spend, inflationary pressures and planned business investments.

Fourth quarter organic revenue declined 10 percent and reflects the impact of product recalls and soft category growth. Core operating margin increased 140 basis points and reflects the benefits of our cost management initiatives, partially offset by impacts related to product recalls.

PepsiCo Beverages North America's organic revenue increased 7 percent in 2023 – which compares to 11 percent organic revenue growth in the prior year.

Core operating margin expanded 50 basis points for the full year. This marks the third consecutive year of improvement in core operating margin and reflects our commitment to deliver profitable growth while also investing in our business.

For the fourth quarter, our business delivered 3 percent organic revenue growth - which compares to 10 percent organic revenue growth in the prior year quarter.

Core operating margin expanded 30 basis points in the fourth quarter - which compares to 110 basis points of core operating margin expansion in the prior year quarter.

Our full year performance reflects the investments we have made in advertising, digitalization, and go-to-market execution which have helped drive growth across the portfolio with Propel delivering double-digit net revenue growth while Pepsi and Gatorade each delivered high-single-digit growth, on a 52-week basis.

In 2023, our business continued to benefit from our efforts to shift our portfolio towards attractive and more-profitable growth areas such as:

- Positive choice offerings with Zero Sugar variants that can now be found across many of our key brands including Pepsi Zero Sugar, Mountain Dew, Gatorade, Starry, Mug and Rockstar;
- Sports nutrition and hydration offerings with our Gatorade, Propel, bubly and LifeWTR brands. For example, we continue to expand beyond the bottle at Gatorade and Propel with enhancers, tablets and powders which provide optionality and convenience for consumers;
- Energy drinks with a broad lineup of great tasting products to serve functional needs such as our Rockstar, Fast Twitch, Starbucks, and Lipton varieties. We also successfully integrated the fast-growing Celsius brand into our distribution system and are very

pleased with its performance; and

- Growing our presence in the away-from-home channel through targeted execution and scaled distribution of our brands. We are also capturing new consumer occasions and whitespace opportunities through digital advancements and differentiated experiences with our portfolio innovation.

In addition to closely managing the evolution of our portfolio, we remain focused on further improving PepsiCo Beverages North America's core operating margin over time by:

- Tailoring our revenue management capabilities across brands, channels and packages to offer a strong consumer value proposition;
- Accelerating our holistic cost management initiatives through our Global Business Services model, advancing automation at our plants, driving more efficiencies within warehousing, transportation and logistics and reducing waste across our value chain;
- Optimizing our advertising and marketing spend; and
- Modernizing and digitalizing our supply chain.

International Business Review

Our \$36 billion international business (which represented nearly 40 percent of total PepsiCo net revenue in 2023) delivered 12 percent organic revenue growth in 2023 – its third consecutive year of double-digit organic revenue growth.

Encouragingly, our international businesses leveraged strong net revenue growth and the benefits of our cost management initiatives to deliver 200 basis points of core operating margin expansion led by Europe and Latin America.

For the fourth quarter, our international organic revenue increased 8 percent – the eleventh consecutive quarter in which we delivered at least high-single-digit organic revenue growth.

International core operating margin increased more than 300 basis points in the fourth quarter and reflects the benefits of our strong revenue growth and cost management initiatives, a strong increase in advertising and marketing spend, as well as planned business investments.

These profitable growth results reflect the actions we have taken to further build and expand our international presence, deliver more flavor and texture combinations that address local preferences, adapt our price pack architectures to offer consumers more value and convenience, and elevate our focus on holistic cost management programs to help fund investments for growth.

For the full year, developing and emerging markets such as Mexico, Brazil, Egypt, Turkey, Poland, and Pakistan each delivered double-digit organic revenue growth while Saudi Arabia delivered high-single-digit growth and China and India each delivered mid-single-digit growth.

Developed international markets such as the U.K. and Australia delivered double-digit organic revenue growth, France delivered high-single-digit growth, and Spain delivered mid-single-digit growth.

Our organic revenue growth in 2023 led to notable marketplace results in many of our key markets. For the full year, we gained savory snack share in China, Brazil, India, Netherlands, Pakistan, Belgium, and Puerto Rico and gained beverage share in Turkey, Brazil, South Korea, Thailand, Pakistan, and Saudi Arabia.

We believe our international markets represent a long runway for profitable growth. We remain committed to expanding our presence and scale across geographies by offering a tailored assortment of products, flavors and packages that make our global brands locally relevant.

2024 Outlook and Guidance

As we look ahead, we expect our global beverage and convenient food categories will remain resilient, but category growth rates will normalize and moderate versus the last few years.

Consumers are likely to remain watchful with their budgets and choiceful with their purchases. Therefore, we will elevate our focus on offering more convenience and value with greater precision and agility through our consumer-centric brand, flavor and package combinations and go-to-market distribution capabilities.

Geographically, we expect International organic revenue growth to exceed North America organic revenue growth. However, geopolitical tensions and macroeconomic volatility are expected to remain elevated in certain parts of the world.

Furthermore, the impacts associated both with the product recalls at Quaker Foods North America and with international conflicts in certain markets are expected to persist and disproportionately impact our business during the first half of 2024.

We expect inflationary pressures to moderate versus the prior year, but certain agricultural commodity costs may remain elevated, and our operating expenses will reflect more investments in our brands, innovation, and channel expansion.

To help mitigate these pressures, we will elevate and accelerate our cost management programs by:

- Maximizing labor efficiencies with our Global Business Services model;
- Expanding and leveraging automation at our plants, warehouses and distribution centers;
- Advancing digitalization across our organization;
- Standardizing and harmonizing our IT systems; and,

- Minimizing areas of waste throughout our value chain.

Accordingly, for fiscal 2024, we now expect:

- At least 4 percent organic revenue growth; and
- At least 8 percent core constant currency EPS growth.

In addition, we expect a core annual effective tax rate of 20 percent.

Based on current market consensus rates, we expect foreign exchange translation to negatively impact our reported net revenue and core earnings per share by 1 percentage point.

These assumptions and the guidance above imply 2024 core earnings per share of at least \$8.15, a 7 percent increase compared to 2023 core earnings per share of \$7.62.

As it relates to our 2024 capital allocation, we will continue to prioritize capital investments to fortify our business and to return cash to shareholders through strong, consistent dividend growth and share repurchases.

Business investment priorities include:

- Adding manufacturing, distribution and go-to-market capacity to support growth;
- Continued digitalization to both drive productivity and enhance capabilities in areas such as consumer insights, trade promotion management, and demand forecasting and supply planning; and
- Advancing pep+, our strategic end-to-end transformation agenda designed to drive positive action for the planet and people.

Beyond making the necessary investments across our business, we plan to return significant cash to our shareholders by growing our annualized dividend by 7 percent, effective with the dividend expected to be paid in June 2024. This will represent PepsiCo's 52nd consecutive annualized dividend per share increase. In addition, for 2024 we expect our share repurchases to be approximately \$1 billion.

With respect to our portfolio, we remain pleased with the composition of our businesses and will primarily focus on maximizing growth and returns from our existing assets.

To conclude, we believe we have the right people, strategies, and advantaged capabilities to win in the marketplace and make PepsiCo an 'Even Faster, Even Stronger, and Even Better' organization in the future.

Thank you for the confidence you've placed in us with your investment.

Ramon Laguarta

Chairman and Chief Executive Officer

Jamie Caulfield

Executive Vice President and Chief Financial Officer