PepsiCo, Inc. Presentation to Consumer Analyst Group of New York (February 17, 2021)
Reconciliation of GAAP and Non-GAAP Information (unaudited)

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, division operating profit, core results, core constant currency results, free cash flow, and core net return on invested capital (ROIC). 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; 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 Annual Reports on Form 10-K for the fiscal years ended December 26, 2020, December 28, 2019, December 29, 2018, December 30, 2017, December 31, 2016, December 26, 2015, December 27, 2014 and December 28, 2013. 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 plans publicly announced in 2019, 2014, and 2012, as applicable.

Inventory fair value adjustments and merger and integration charges: In 2020, we recorded inventory fair value adjustments and merger and integration charges related to our acquisitions of BFY Brands, Inc., Rockstar Energy Beverages, Pioneer Food Group Ltd. (Pioneer Foods) and Hangzhou Haomusi Food Co., Ltd. (Be & Cheery). Inventory fair value adjustments and merger and integration charges include fair value adjustments to the acquired inventory included in the acquisition-date balance sheets and closing costs, employee-related costs, contract termination costs, changes in the fair value of contingent consideration and other integration costs. Merger and integration charges also include liabilities to support socioeconomic programs in South Africa, which are irrevocable conditions of our acquisition of Pioneer Foods. In 2019, we recorded inventory fair value adjustments and merger and integration charges primarily related to SodaStream International Ltd.'s (SodaStream) acquired inventory included in acquisition-date balance sheet, as well as merger and integration charges, including employee-related costs. In 2018, merger and integration charges of $75 million related to our acquisition of SodaStream. These charges include closing costs, advisory fees and employee-related costs. In 2013, merger and integration charges of $10 million related to our acquisition of Wimm-Bill-Dann Foods OJSC.

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.

Other net tax benefits: In 2018, other net tax benefits of $4.3 billion related to the reorganization of our international operations. Also, in 2018, non-cash tax benefits of $717 million associated with both the conclusion of certain international tax audits and our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013. In 2015, a non-cash tax benefit of $230 million associated with our agreement with the IRS resolving substantially all open matters related to the audits for taxable years 2010 through 2011, which reduced our reserve for uncertain tax positions for the tax years 2010 through 2011. In 2013, a non-cash tax benefit of $209 million associated with our agreement with the IRS resolving all open matters related to the audits for taxable years 2003 through 2009, which reduced our reserve for uncertain tax positions for the tax years 2003 through 2012.

Charges related to cash tender and exchange offers: In 2018, interest expense of $253 million in connection with our cash tender and exchange offers, primarily representing the tender price paid over the carrying value of the tendered notes.

Charges related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi): In 2016, an impairment charge of $373 million to reduce the value of our 5% indirect equity interest in KSF Beverage Holding Co., Ltd. (KSFB), formerly known as Tingyi-Asahi Beverages Holding Co. Ltd., to its estimated fair value. In 2015, a charge of $73 million related to a write-off of the value of a call option to increase our holding in KSFB to 20%.

Charge related to debt redemption: In 2016, interest expense primarily representing the premium paid in accordance with the "make-whole" redemption provisions to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of $1.5 billion and $750 million, respectively.

Pension-related settlement charges / (benefits): In 2020, pension settlement charges of $205 million related to lump sum distributions exceeding the total of annual service and interest cost. In 2019, pension settlement charges of $220 million related to the purchase of a group annuity contract and settlement charges of $53 million related to one-time lump sum payments to certain former employees who had vested benefits. In 2016, a pension settlement charge of $242 million related to the purchase of a group annuity contract. In 2015, benefits of $67 million associated with the settlement of pension-related liabilities from previous acquisitions. In 2014, lump sum settlement charges of $141 million related to payments for pension liabilities to certain former employees who had vested benefits.

Venezuela impairment charges: In 2015, charges of $1.4 billion related to the impairment of investments in our wholly-owned Venezuelan subsidiaries and a beverage joint venture.

Venezuela remeasurement charges: In 2014, a $105 million net charge related to our remeasurement of the bolivar for certain net monetary assets of our Venezuelan businesses. In 2013, a net charge of $111 million related to the devaluation of the bolivar for our Venezuelan businesses.

Division operating profit: The aggregation of the operating profit for each of our reportable segments, which excludes the impact of corporate unallocated expenses.

Free cash flow: We define free cash flow as net cash provided by operating activities less capital spending, plus sales of property, plant and equipment. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. Free cash flow is used by us primarily for acquisitions and financing activities, including debt repayments, dividends and share repurchases. Free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt service that are not deducted from the measure.

Free cash flow conversion: Free cash flow conversion is the ratio of free cash flow and core net income attributable to PepsiCo.

Return on invested capital (ROIC) and core net ROIC: ROIC is net income attributable to PepsiCo plus interest expense after-tax divided by the sum of quarterly average debt obligations and quarterly average common shareholders' equity. This metric serves as a measure of how well we use our capital to generate returns. Core net ROIC is ROIC adjusted for quarterly average cash, cash equivalents and short-term investments, after-tax interest income, and items that are not indicative of our ongoing performance. We believe the calculation of ROIC and core net ROIC provides useful information to investors and is an additional relevant comparison of our performance to consider when evaluating our capital allocation efficiency.

2021 guidance and long-term financial performance targets

Our 2021 organic revenue growth guidance 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 constant currency EPS growth guidance, our long-term core constant currency EPS growth target and our long-term core operating margin expansion 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 or our long-term organic revenue growth to our full-year projected 2021 and long-term reported net revenue growth because we are unable to predict the full-year 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 2021 or long-term core constant currency EPS growth to our full-year projected 2021 and long-term reported EPS growth or our long-term operating core margin expansion to our long-term reported operating margin expansion 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)

Operating Profit Reconciliation

	Year Ended 12/26/2020						
			Impact of Items Affecting Comparability				
	Reported, GAAP Measure	% of Reported division operating profit	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core, Non-GAAP Measure	% of Core division operating profit
FLNA	$ 5,340	46	—	$ 83	$ 29	$ 5,452	45
QFNA	669	6	—	5	—	674	6
PBNA	1,937	17	—	47	66	2,050	17
LatAm	1,033	9	—	31	0	1,064	9
Europe	1,353	12	—	48	0	1,401	12
AMESA	600	5	—	14	173	787	7
APAC	590	5	—	5	7	602	5
Division operating profit	**11,522**		**—**	**233**	**275**	**12,030**	
Corporate unallocated expenses	**(1,442)**		**(73)**	**36**	**(20)**	**(1,499)**	
Operating profit	**$ 10,080**		**$ (73)**	**$ 269**	**$ 255**	**$ 10,531**	

Net Revenue Growth Reconciliation

		Year Ended							
	8-Year Avg	12/26/2020	12/28/2019	12/29/2018	12/30/2017	12/31/2016	12/26/2015	12/27/2014	12/28/2013
Reported net revenue growth	1 %	5 %	4 %	2 %	1 %	— %	(5)%	— %	1 %
Impact of:									
Foreign exchange translation		2	2	1	—	3	10	3	2
Acquisitions and divestitures		(3)	(1)	1	—	—	—	—	1
53rd reporting week		—	—	—	1	(1)	—	—	—
Venezuela deconsolidation		—	—	—	—	2	1	—	—
Organic revenue growth	4 %	4 %	4.5 %	4 %	2 %	4 %	5 %	4 %	4 %

Operating Margin Reconciliation

	Year Ended 12/26/2020				
		Impact of Items Affecting Comparability			
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core, Non-GAAP Measure
PepsiCo	**14.3 %**	—	—	—	**15.0 %**
FLNA	29.4 %	—	0.5	—	30.0 %
QFNA	24.4 %	—	—	—	24.6 %
FLNA + QFNA	28.7 %	—	—	—	29.3 %
PBNA	8.6 %	—	—	—	9.1 %
International	13.3 %	—	—	1	14.3 %

Note – Certain amounts above may not sum due to rounding.

PepsiCo, Inc. and Subsidiaries
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Free Cash Flow Reconciliation

	Year Ended							
	12/26/2020	12/28/2019	12/29/2018	12/30/2017	12/31/2016	12/26/2015	12/27/2014	12/28/2013
Net cash provided by operating activities, GAAP measure	$ 10,613	$ 9,649	$ 9,415	$ 10,030	$ 10,663	$ 10,878	$ 10,712	$ 9,892
Capital spending	(4,240)	(4,232)	(3,282)	(2,969)	(3,040)	(2,758)	(2,859)	(2,795)
Sales of property, plant and equipment	55	170	134	180	99	86	115	109
Free cash flow, non-GAAP measure	$ 6,428	$ 5,587	$ 6,267	$ 7,241	$ 7,722	$ 8,206	$ 7,968	$ 7,206

Net Income Attributable to PepsiCo Reconciliation

	Year Ended							
	12/26/2020	12/28/2019	12/29/2018	12/30/2017	12/31/2016	12/26/2015	12/27/2014	12/28/2013
Reported, GAAP Measure	$ 7,120	$ 7,314	$ 12,515	$ 4,857	$ 6,329	$ 5,452	$ 6,513	$ 6,740
Items Affecting Comparability:								
Mark-to-market net impact	(58)	(87)	125	(8)	(111)	(8)	44	44
Restructuring and impairment charges	231	298	251	224	131	184	316	129
Inventory fair value adjustments and merger and integration charges	237	47	75	—	—	—	—	8
Pension-related settlement charges / (benefit)	158	211	—	—	162	(42)	88	—
Net tax related to the TCJ Act	—	(8)	(28)	2,451	—	—	—	—
Other net tax benefits	—	—	(5,064)	—	—	(230)	—	(209)
Charge related to the transaction with Tingyi	—	—	—	—	373	73	—	—
Charges related to cash tender and exchange offers	—	—	191	—	—	—	—	—
Charges related to debt redemption	—	—	—	—	156	—	—	—
Venezuela impairment charges	—	—	—	—	—	1,359	—	—
Venezuela remeasurement charge	—	—	—	—	—	—	105	111
Core, Non-GAAP Measure	$ 7,688	$ 7,775	$ 8,065	$ 7,524	$ 7,040	$ 6,788	$ 7,066	$ 6,823

	Year Ended							
	12/26/2020	12/28/2019	12/29/2018	12/30/2017	12/31/2016	12/26/2015	12/27/2014	12/28/2013
Free cash flow conversion ratio	84%	72%	78%	96%	110%	121%	113%	106%

Note – Certain amounts above may not sum due to rounding.

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information
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Net Return on Invested Capital (ROIC) Reconciliation

	Year Ended							
	12/26/2020	12/28/2019	12/29/2018	12/30/2017	12/31/2016	12/26/2015	12/27/2014	12/28/2013
Net income attributable to PepsiCo	$ 7,120	$ 7,314	$ 12,515	$ 4,857	$ 6,329	$ 5,452	$ 6,513	$ 6,740
Interest expense	1,252	1,135	1,525	1,151	1,342	970	909	911
Tax on interest expense	(278)	(252)	(339)	(415)	(483)	(349)	(327)	(328)
	8,094	8,197	13,701	5,593	7,188	6,073	7,095	7,323
Average debt obligations [(a)]	41,402	31,975	38,169	38,707	35,308	31,169	31,240	29,291
Average common shareholders' equity [(b)]	13,536	14,317	11,368	12,004	11,943	15,147	22,341	22,900
Average invested capital	54,938	46,292	49,537	50,711	47,251	46,316	53,581	52,191
ROIC, Non-GAAP Measure	14.7 %	17.7 %	27.7 %	11.0 %	15.2 %	13.1 %	13.2 %	14.0 %
Impact of:								
Average cash, cash equivalents and short-term investments	3.4	3.0	7.8	7.6	6.0	4.1	3.4	2.5
Interest income	(0.2)	(0.5)	(0.6)	(0.5)	(0.2)	(0.1)	(0.1)	(0.1)
Tax on interest income	0.1	0.1	0.1	0.2	0.1	—	—	—
Mark-to-market net impact	(0.1)	(0.2)	0.2	—	(0.2)	—	0.1	0.1
Restructuring and impairment charges	0.3	0.5	0.4	0.3	0.1	0.2	0.5	0.1
Inventory fair value adjustments and merger and integration charges	0.4	0.1	0.1	—	—	—	—	—
Pension-related settlement charges/ (benefits)	0.2	0.5	—	—	0.3	(0.1)	0.1	—
Net tax related to the TCJ Act	0.1	(1.0)	(1.1)	4.5	—	—	—	—
Other net tax benefits	1.0	2.2	(9.7)	0.1	0.1	(0.4)	0.1	(0.3)
Charges related to cash tender and exchange offers	—	(0.1)	(0.1)	—	—	—	—	—
Charges related to the transaction with Tingyi	—	—	—	(0.1)	0.6	0.1	—	—
Venezuela impairment charges	—	—	—	(0.2)	(0.5)	2.7	—	—
Venezuela remeasurement charges	—	—	—	—	—	—	0.2	0.2
Core Net ROIC	19.9 %	22.3 %	24.8 %	22.9 %	21.5 %	19.6 %	17.5 %	16.4 %

(a) Includes a quarterly average of short-term and long-term debt obligations.
(b) Includes a quarterly average of common stock, capital in excess of par value, retained earnings, accumulated other comprehensive loss and repurchased common stock.

Note – Certain amounts above may not sum due to rounding.