

PepsiCo, Inc. and Subsidiaries Presentation to Consumer Analyst Group of New York
(February 21, 2024)
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, core results and core constant currency 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; charges associated with acquisitions and divestitures; gains associated with divestitures; asset impairment charges (non-cash); product recall-related impact; pension and retiree medical-related amounts, including all settlement and curtailment gains and losses; charges or adjustments related to the enactment of new laws, rules or regulations, such as 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; remeasurements of net monetary assets; and accounting policy elections. Prior to the fourth quarter of 2021, certain immaterial pension and retiree medical-related settlement and curtailment gains and losses were not considered items affecting comparability. Pension and retiree medical-related service cost, interest cost, expected return on plan assets, and other net periodic pension costs continue to be reflected in our core results. See below for a description of adjustments to our 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 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.

Glossary

We use the following definitions when referring to our non-GAAP financial measures:

Acquisitions and divestitures: mergers and acquisition activity, as well as divestitures and other structural changes, including changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees

Organic revenue growth: A measure that adjusts for the impacts of foreign exchange translation, acquisitions, divestitures and other structural changes, and every five or six years, the impact of an additional week of results (53rd reporting week), including in our 2022 and 2016 financial results. Adjusting for acquisitions and divestitures reflects mergers and acquisitions activity, including the impact in 2021 of an extra month of net revenue for our acquisitions of Pioneer Food Group Ltd. in our Africa, Middle East and South Asia (AMESA) division and Hangzhou Haomusi Food Co., Ltd. in our Asia Pacific, Australia and New Zealand and China Region (APAC) division as we aligned the reporting calendars of these acquisitions with those of our divisions, as well as divestitures and other structural changes, including changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees. Our 2018 organic revenue growth adjusts for the impact of the exclusion from net revenue of prior year sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions that were not already excluded based on the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance. Our 2016 organic revenue growth also adjusts for the impact of deconsolidating Venezuela in 2015. We believe organic revenue growth provides useful information in evaluating the results of our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year. Average organic revenue growth rate is the average of organic revenue growth rates for the periods presented.

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: Core results are non-GAAP financial measures which exclude certain items from our historical 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 30, 2023, December 31, 2022, December 25, 2021, December 26, 2020 and December 28, 2019. 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, which was expanded and extended through the end of 2028 to take advantage of additional opportunities within the initiatives of the plan.

Acquisition and divestiture-related charges: Acquisition and divestiture-related charges primarily include fair value adjustments to the acquired inventory included in the acquisition-date balance sheets, merger and integration charges and costs associated with divestitures. Merger and integration charges include liabilities to support socioeconomic programs in South Africa, gains associated with contingent consideration, employee-related costs, contract termination costs, closing costs and other integration costs. Divestiture-related charges reflect transaction expenses, including consulting, advisory and other professional fees.

Gain associated with the Juice Transaction: In the first quarter of 2022, we sold our Tropicana, Naked and other select juice brands to PAI Partners for \$3.5 billion in cash and a 39% noncontrolling interest in a newly formed joint venture, Tropicana Brands Group (TBG), operating across North America and Europe (Juice Transaction). We recognized a gain associated with the Juice Transaction in our PepsiCo Beverages North America (PBNA) and Europe divisions.

Impairment and other charges: We recognized Russia-Ukraine conflict charges, brand portfolio impairment charges and other impairment charges as described below.

Russia-Ukraine conflict charges: In connection with the ongoing conflict in Ukraine, we recognized charges related to indefinite-lived intangible assets and property, plant and equipment impairment, allowance for expected credit losses, inventory write-downs and other costs. We also recognized adjustments to the charges recorded in 2022.

Brand portfolio impairment charges: We recognized intangible asset, investment and property, plant and equipment impairments and other charges as a result of management’s decision to reposition or discontinue the sale/distribution of certain brands and to sell an investment. We also recognized adjustments to the charges recorded in 2022.

Other impairment charges: We recognized impairment charges taken as a result of our quantitative assessments of certain of our indefinite-lived intangible assets and related to our investment in TBG.

Product recall-related impact: We recognized product returns, inventory write-offs and customer and consumer-related costs in our Quaker Foods North America (QFNA) division associated with a voluntary recall of certain bars and cereals.

Pension and retiree medical-related impact: Pension and retiree medical-related impact primarily includes settlement charges related to lump sum distributions exceeding the total of annual service and interests costs and the purchase of a group annuity contract, as well as curtailment gains.

Charge related to cash tender and exchange offers: As a result of the cash tender offers for some of our long-term debt, we recorded a charge primarily representing the tender price paid over the carrying value of the tendered notes and loss on treasury rate locks used to mitigate the interest rate risk on the cash tender offers

Tax benefit related to the IRS Audit: We recognized a non-cash tax benefit resulting from our agreement with the Internal Revenue Service (IRS) to settle one of the issues assessed in the 2014 through 2016 tax audit. The agreement covers tax years 2014 through 2019.

Net tax related to the TCJ Act: During the fourth quarter of 2017, the Tax Cuts and Jobs Act (TCJ Act) was enacted in the United States. In periods subsequent to the enactment of the TCJ Act, we recognized adjustments to the mandatory transition tax liability associated therewith.

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

Net capital spending: Capital spending less cash proceeds from sales of property, plant and equipment.

Long-term financial performance targets: Our long-term organic revenue growth target excludes the impact of acquisitions, divestitures and other structural changes, the impact of the 53rd reporting week, where applicable, and foreign exchange translation. Our long-term core constant currency earnings per share (EPS) growth target and our long-term core operating margin expansion target exclude the mark-to-market net impact included in corporate unallocated expenses, restructuring and impairment charges and other items noted above. Our long-term core constant currency EPS growth target also excludes the impact of foreign exchange translation. We are unable to reconcile our long-term organic revenue growth to our long-term reported net revenue growth because we are unable to predict the 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 long-term core constant currency EPS growth to our long-term reported EPS growth or our long-term core operating margin expansion to our long-term reported operating margin expansion because we are unable to predict the 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)

PepsiCo Operating Profit Reconciliation

	Year Ended 12/30/2023						
	Impact of Items Affecting Comparability						
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Acquisition and divestiture-related charges	Impairment and other charges	Product-recall related impact	Core, Non-GAAP Measure ^(a)
Frito-Lay North America (FLNA)	\$ 6,755	\$ —	\$ 42	\$ —	\$ —	\$ —	\$ 6,797
QFNA	492	—	—	—	—	136	628
PBNA	2,584	—	41	16	321	—	2,962
North America operating profit	9,831	—	83	16	321	136	10,387
Latin America	2,252	—	29	—	2	—	2,283
Europe	767	—	223	(2)	855	—	1,843
AMESA	807	—	15	2	(7)	—	817
APAC	713	—	8	—	59	—	780
International operating profit	4,539	—	275	—	909	—	5,723
Division operating profit	14,370	—	358	16	1,230	136	16,110
Corporate unallocated expenses	(2,384)	36	88	25	—	—	(2,235)
PepsiCo operating profit	\$ 11,986	\$ 36	\$ 446	\$ 41	\$ 1,230	\$ 136	\$ 13,875

PepsiCo Operating Profit Reconciliation

	Year Ended 12/29/2018				
	Impact of Items Affecting Comparability				
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Acquisition and divestiture-related charges	Core, Non-GAAP Measure ^(a)
FLNA	\$ 5,008	\$ —	\$ 36	\$ —	\$ 5,044
QFNA	637	—	7	—	644
PBNA	2,276	—	88	—	2,364
North America operating profit	7,921	—	131	—	8,052
Latin America	1,049	—	40	—	1,089
Europe	1,256	—	59	57	1,372
AMESA	661	—	18	—	679
APAC	619	—	14	—	633
International operating profit	3,585	—	131	57	3,773
Division operating profit	11,506	—	262	57	11,825
Corporate unallocated expenses	(1,396)	163	10	18	(1,205)
PepsiCo operating profit	\$ 10,110	\$ 163	\$ 272	\$ 75	\$ 10,620

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

PepsiCo, Inc. and Subsidiaries
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PepsiCo Net Revenue Growth Reconciliation

	2021-2023 Average	Year Ended		
		12/30/2023	12/31/2022	12/25/2021
Reported net revenue growth, GAAP measure	9 %	6 %	9 %	13 %
Impact of:				
Foreign exchange translation		2	3	(1)
Acquisitions and divestitures		—	4	(2)
53 rd reporting week		1	(1)	—
Organic revenue growth, Non-GAAP measure ^(a)	11 %	9 %	14 %	10 %

Brand Constant Currency Net Revenue Growth Reconciliation (25 key markets) ^(b)

	2021-2023 reported net revenue CAGR, GAAP measure ^(c)	Reported net revenue growth, GAAP measure	Impact of foreign exchange translation	Constant currency net revenue growth, non- GAAP measure ^(a)	2021-2023 constant currency net revenue CAGR, non- GAAP ^{(a)(c)}
Gatorade	12 %				12 %
Year ended 12/30/2023		6 %	—	6 %	
Year ended 12/31/2022		20 %	—	20 %	
Year ended 12/25/2021		11 %	—	11 %	
Pepsi	8 %				10 %
Year ended 12/30/2023		4 %	3	7 %	
Year ended 12/31/2022		7 %	5	12 %	
Year ended 12/25/2021		13 %	(1)	12 %	
Mountain Dew	8 %				8 %
Year ended 12/30/2023		(1)%	0.5	— %	
Year ended 12/31/2022		13 %	0.5	14 %	
Year ended 12/25/2021		12 %	—	12 %	
Doritos	15 %				16 %
Year ended 12/30/2023		14 %	(1)	13 %	
Year ended 12/31/2022		20 %	4	25 %	
Year ended 12/25/2021		10 %	(1)	10 %	
Cheetos	14 %				14 %
Year ended 12/30/2023		14 %	—	14 %	
Year ended 12/31/2022		20 %	2	23 %	
Year ended 12/25/2021		8 %	(1)	6 %	
Lay's	10 %				13 %
Year ended 12/30/2023		8 %	5	13 %	
Year ended 12/31/2022		13 %	5.5	18 %	
Year ended 12/25/2021		10 %	(2)	8 %	

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

^(b) These 25 key markets represent over 90% of PepsiCo's 2023 reported net revenue.

^(c) CAGR defined as compound annual growth rate.

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North America Net Revenue Performance Reconciliation

	2019-2023 Average	Year Ended					2016-2018 Average	Year Ended		
		12/30/2023	12/31/2022	12/25/2021	12/26/2020	12/28/2019		12/29/2018	12/30/2017	12/31/2016
Reported net revenue performance, GAAP measure	7 %	6 %	11 %	10 %	5 %	3.5 %	2 %	2 %	(0.5)%	4 %
Impact of:										
Foreign exchange translation		—	—	(0.5)	—	—		—	—	—
Acquisitions and divestitures		—	5	(1)	(1)	—		—	(1)	—
53 rd reporting week		2	(2)	—	—	—		—	2	(2)
Sales and certain other taxes		—	—	—	—	—		—	—	—
Organic revenue growth, Non-GAAP measure ^(a)	7 %	<u>8 %</u>	<u>14 %</u>	<u>8 %</u>	<u>4 %</u>	<u>3 %</u>	1.5 %	<u>1.5 %</u>	<u>— %</u>	<u>2 %</u>

International Net Revenue Performance Reconciliation

	2019-2023 Average	Year Ended					2016-2018 Average	Year Ended		
		12/30/2023	12/31/2022	12/25/2021	12/26/2020	12/28/2019		12/29/2018	12/30/2017	12/31/2016
Reported net revenue performance, GAAP measure	8 %	6 %	6 %	18 %	4 %	4 %	— %	2 %	4 %	(7)%
Impact of:										
Foreign exchange translation		5	7	(2)	5	4		3	1	8
Acquisitions and divestitures		1	3	(5)	(5)	(2)		2	—	—
53 rd reporting week		—	—	—	—	—		—	—	—
Sales and certain other taxes		—	—	—	—	—		—	—	—
Venezuela deconsolidation		—	—	—	—	—		—	—	4.5
Organic revenue growth, Non-GAAP measure ^(a)	10 %	<u>12 %</u>	<u>16 %</u>	<u>11 %</u>	<u>4.5 %</u>	<u>7 %</u>	6 %	<u>7 %</u>	<u>5 %</u>	<u>6 %</u>

Global Convenient Foods Net Revenue Performance Reconciliation

	2019-2023 Average	Year Ended					2016-2018 Average	Year Ended		
		12/30/2023	12/31/2022	12/25/2021	12/26/2020	12/28/2019		12/29/2018	12/30/2017	12/31/2016
Reported net revenue performance, GAAP measure	9 %	7 %	15 %	13 %	6 %	4 %	2 %	3 %	3 %	(2)%
Impact of:										
Foreign exchange translation		1	3	(2)	3	2		1.5	—	4.5
Acquisitions and divestitures		0.5	1	(3)	(4)	—		—	—	—
53 rd reporting week		1	(1)	—	—	—		—	1	(1)
Sales and certain other taxes		—	—	—	—	—		—	—	—
Venezuela deconsolidation		—	—	—	—	—		—	—	3
Organic revenue growth, Non-GAAP measure ^(a)	10 %	<u>10 %</u>	<u>18 %</u>	<u>8 %</u>	<u>6 %</u>	<u>6 %</u>	5 %	<u>5 %</u>	<u>5 %</u>	<u>5 %</u>

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

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Global Beverages Net Revenue Performance Reconciliation

	2019-2023 Average	Year Ended					2016-2018 Average	Year Ended		
		12/30/2023	12/31/2022	12/25/2021	12/26/2020	12/28/2019		12/29/2018	12/30/2017	12/31/2016
Reported net revenue performance, GAAP measure	5 %	4 %	2 %	13 %	3 %	4 %	— %	— %	(1)%	1 %
Impact of:										
Foreign exchange translation		3	2	(1)	1	1		1	—	2
Acquisitions and divestitures		—	8	(1.5)	(1)	(2)		2	(1)	—
53 rd reporting week		1	(1)	—	—	—		—	1	(1)
Sales and certain other taxes		—	—	—	—	—		—	—	—
Venezuela deconsolidation		—	—	—	—	—		—	—	0.5
Organic revenue growth, Non-GAAP measure ^(a)	7 %	<u>8 %</u>	<u>10 %</u>	<u>11 %</u>	<u>2.5 %</u>	<u>3 %</u>	2 %	<u>2.5 %</u>	<u>— %</u>	<u>3 %</u>

PepsiCo Net Capital Spending Reconciliation (in millions)

	2018-2023 Growth	Year Ended						
		12/30/2023	12/31/2022	12/25/2021	12/26/2020	12/28/2019	12/29/2018	12/30/2017
Capital spending	68 %	\$ 5,518	\$ 5,207	\$ 4,625	\$ 4,240	\$ 4,232	\$ 3,282	\$ 2,969
Sale of property, plant and equipment		(198)	(251)	(166)	(55)	(170)	(134)	(180)
Net capital spending, Non-GAAP measure ^(a)	69 %	<u>\$ 5,320</u>	<u>\$ 4,956</u>	<u>\$ 4,459</u>	<u>\$ 4,185</u>	<u>\$ 4,062</u>	<u>\$ 3,148</u>	<u>\$ 2,789</u>
Reported net revenue		\$ 91,471	\$ 86,392	\$ 79,474	\$ 70,372	\$ 67,161	\$ 64,661	\$ 63,525
Capital spending as a percentage of reported net revenue, GAAP measure		6.0 %	6.0 %	5.8 %	6.0 %	6.3 %	5.1 %	4.7 %
Net capital spending as a percentage of reported net revenue, Non-GAAP measure ^(a)		5.8 %	5.7 %	5.6 %	5.9 %	6.0 %	4.9 %	4.4 %

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

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Diluted EPS Growth Reconciliation

	2021-2023 Average	Year Ended		
		12/30/2023	12/31/2022	12/25/2021
Reported diluted EPS growth, GAAP measure	9 %	2 %	17 %	7 %
Impact of:				
Mark-to-market net impact		—	0.5	1
Restructuring and impairment charges		—	2	—
Acquisition and divestiture-related charges		(0.5)	1	(3)
Gain associated with the Juice Transaction		30	(44)	—
Impairment and other charges		(21)	45	—
Product recall-related impact		1	—	—
Pension and retiree medical-related impact		(2)	3.5	(2)
Charge related to cash tender and exchange offers		—	(10)	8
Tax benefit related to the IRS audit		3	(5)	—
Net tax related to the TCJ Act		(1)	(2)	2
Core diluted EPS growth, Non-GAAP measure ^(a)		12 %	9 %	13 %
Impact of foreign exchange translation		2	2	(1.5)
Core constant currency diluted EPS growth, Non-GAAP measure ^(a)	12 %	14 %	11 %	12 %

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.