

PepsiCo, Inc. and Subsidiaries Q4 2023 Prepared Management Remarks and Investor Q&A
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, revenue growth on a 52-week basis, core results, core constant currency results and free cash flow. 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; and remeasurements of net monetary assets. 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.

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 financial results. For further information regarding these excluded items, refer to “Items Affecting Comparability” in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Forms 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.

¹ For a full discussion of our fourth quarter and full-year 2023 financial results, including definitions we use in discussing our financial results, please refer to our fourth quarter and full-year 2023 earnings release and our Form 10-K for the fiscal year ended December 30, 2023 (2023 Form 10-K) both available at [pepsico.com/investors](https://www.pepsico.com/investors).

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 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.

Organic revenue growth: A measure that adjusts for the impacts of foreign exchange translation, acquisitions and divestitures, and where applicable, the impact of an additional week of results (53rd reporting week), including in our fourth quarter 2022 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. 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.

Revenue growth on a 52-week basis: A measure that adjusts for the impact of the 53rd reporting week in our 2022 financial results. We believe revenue growth on a 52-week basis provides useful information in evaluating the results of our business because it excludes the 53rd reporting week from 2022 that we believe impacts comparability with the current year.

Free cash flow: Net cash from 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.

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

2024 guidance: Our 2024 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. Our 2024 core effective tax rate guidance and our 2024 core constant currency EPS growth guidance exclude the mark-to-market net impact included in corporate unallocated expenses, restructuring and impairment charges and other items noted above. Our 2024 core constant currency EPS growth guidance also excludes the impact of foreign exchange translation. We are unable to reconcile our full year projected 2024 organic revenue growth to our full year projected 2024 reported net revenue growth because we are unable to predict the 2024 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 2024 core effective tax rate to our full year projected 2024 reported effective tax rate and our full year projected 2024 core constant currency EPS growth to our full year projected 2024 reported EPS growth because we are unable to predict the 2024 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
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PepsiCo Net Revenue Growth Reconciliation

	2021 - 2023 Compound Annual Growth Rate	Year Ended		
		12/30/2023	12/31/2022	12/25/2021
Reported % Change, 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 % Change, Non-GAAP Measure ^(a)	11 %	9 %	14 %	10 %

Net Revenue Growth Reconciliation

	Year Ended 12/30/2023				
	Reported % Change, GAAP Measure	Impact of			Organic % Change, Non-GAAP Measure ^(a)
		Foreign exchange translation	Acquisitions and divestitures	53 rd reporting week	
Global convenient foods	7 %	1	0.5	1	10 %
Global beverages	4 %	3	—	1	8 %
North America	6 %	—	—	2	8 %
Frito-Lay North America (FLNA)	7 %	—	—	2	9 %
QFNA	(2) %	—	—	2	1 %
PBNA	5 %	—	—	1.5	7 %
International	6 %	5	1	—	12 %
Latin America:					
Mexico	DD %	(DD)	—	—	DD %
Brazil	DD %	(MSD)	MSD	—	DD %
Europe:					
Turkey	DD %	DD	LSD	—	DD %
Poland	DD %	(HSD)	MSD	—	DD %
U.K.	DD %	(LSD)	LSD	—	DD %
France	HSD %	(LSD)	LSD	—	HSD %
Spain	HSD %	(LSD)	—	—	MSD %
AMESA:					
Egypt	(DD) %	DD	—	—	DD %
Pakistan	(MSD) %	DD	—	—	DD %
Saudi Arabia	HSD %	—	—	—	HSD %
India	(LSD) %	MSD	—	—	MSD %
APAC:					
China	(LSD) %	MSD	—	—	MSD %
Australia	HSD %	MSD	—	—	DD %

LSD — Low single digit, MSD — Mid single digit, HSD — High single digit, DD — Double digit

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

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

PepsiCo, Inc. and Subsidiaries
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Net Revenue Growth Reconciliation

	Reported % Change, GAAP Measure	Foreign exchange translation	Impact of Acquisitions and divestitures	53 rd reporting week	Organic % Change, Non- GAAP Measure ^(a)
PepsiCo					
Quarter ended 12/30/2023	(0.5)%	1.5	—	3	4.5 %
Quarter ended 12/31/2022	11 %	3	4	(4)	15 %
Global convenient foods					
Quarter ended 12/30/2023	1 %	—	—	3	5 %
Global beverages					
Quarter ended 12/30/2023	(3)%	3	—	3	4 %
North America					
Quarter ended 12/30/2023	(3.5)%	—	—	5	2 %
FLNA					
Quarter ended 12/30/2023	(3)%	—	—	6	3 %
Year ended 12/31/2022	19 %	—	—	(2)	17 %
Quarter ended 12/31/2022	25 %	1	—	(7)	18 %
QFNA					
Quarter ended 12/30/2023	(16)%	—	—	6	(10)%
PBNA					
Quarter ended 12/30/2023	(2)%	—	0.5	5	3 %
Year ended 12/31/2022	4 %	—	9	(2)	11 %
Quarter ended 12/31/2022	6 %	0.5	9	(5)	10 %
International					
Quarter ended 12/30/2023	4 %	4	0.5	—	8 %
Quarter ended 9/9/2023	6 %	5	1	—	12 %
Quarter ended 6/17/2023	9 %	5	1	—	15 %
Quarter ended 3/25/2023	7 %	7	1.5	—	15 %
Year ended 12/31/2022	6 %	7	3	—	16 %
Quarter ended 12/31/2022	6 %	7	3	—	16 %
Quarter ended 9/3/2022	6 %	7	2.5	—	16 %
Quarter ended 6/11/2022	4 %	6	5	—	15 %
Quarter ended 3/19/2022	9 %	4	1	—	15 %
Year ended 12/25/2021	18 %	(2)	(5)	—	11 %
Quarter ended 12/25/2021	12 %	—	(1)	—	11 %
Quarter ended 9/4/2021	20 %	(4)	(1.5)	—	14 %
Quarter ended 6/12/2021	31 %	(7)	(10)	—	15 %

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Brand and Category Net Revenue Growth Reconciliation

	Year Ended 12/30/2023		
	Reported % Change, GAAP Measure	Impact of 53 rd reporting week	Revenue growth on a 52-week basis % Change, Non-GAAP Measure ^(a)
Cheetos	DD %	LSD	DD %
Doritos	HSD %	LSD	DD %
Fritos	DD %	LSD	DD %
Ruffles	MSD %	LSD	HSD %
Lay's	MSD %	LSD	MSD %
PopCorners	DD %	LSD	DD %
SunChips	DD %	LSD	DD %
Miss Vickie's	DD %	LSD	DD %
QFNA lite snacks	HSD %	LSD	DD %
QFNA pancake syrup and mix	HSD %	LSD	DD %
Propel	DD %	LSD	DD %
Pepsi	MSD %	LSD	HSD %
Gatorade	MSD %	LSD	HSD %

LSD — Low single digit, MSD — Mid single digit, HSD — High single digit, DD — Double digit

PepsiCo Gross Margin Growth Reconciliation

	Year Ended 12/30/2023	Quarter Ended 12/30/2023
Reported gross margin growth, GAAP measure	118 bps	91 bps
Impact of:		
Mark-to-market net impact	(6)	(17)
Restructuring and impairment charges	(2)	(8)
Impairment and other charges	(24)	(18)
Product recall-related impact	15	49
Core gross margin growth, non-GAAP measure ^(a)	<u>101 bps</u>	<u>97 bps</u>

PepsiCo Operating Margin Performance Reconciliation

	Year Ended 12/30/2023	Quarter Ended 12/30/2023
Reported operating margin performance, GAAP measure	(22) bps	313 bps
Impact of:		
Mark-to-market net impact	(3)	(17)
Restructuring and impairment charges	5	(34)
Acquisition and divestiture-related charges	(4)	4
Gain associated with the Juice Transaction	384	—
Impairment and other charges	(284)	(217)
Product recall-related impact	15	49
Core operating margin growth, non-GAAP measure ^(a)	<u>90 bps</u>	<u>97 bps</u>

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North America Operating Margin Performance Reconciliation

	Year Ended 12/30/2023
Reported operating margin performance, GAAP measure	(543) bps
Impact of:	
Restructuring and impairment charges	(8)
Acquisition and divestiture-related charges	(7)
Gain associated with the Juice Transaction	575
Impairment and other charges	11
Product recall-related impact	24
Core operating margin growth, non-GAAP measure ^(a)	52 bps

FLNA Operating Margin Growth Reconciliation

	Year Ended 12/30/2023
Reported operating margin growth, GAAP measure	78 bps
Impact of:	
Restructuring and impairment charges	(3)
Impairment and other charges	(38)
Core operating margin growth, Non-GAAP measure ^(a)	36 bps

QFNA Operating Margin Performance Reconciliation

	Year Ended 12/30/2023	Quarter Ended 12/30/2023
Reported operating margin performance, GAAP measure	(324) bps	(1,320) bps
Impact of:		
Restructuring and impairment charges	(21)	(60)
Product recall-related impact	438	1,521
Core operating margin growth, Non-GAAP measure ^(a)	93 bps	141 bps

PBNA Operating Margin Performance Reconciliation

	Three-Year Change	Year Ended 12/30/2023	Year Ended 12/31/2022	Year Ended 12/25/2021
Reported operating margin performance, GAAP measure	76 bps	(1,135) bps	1,104 bps	107 bps
Impact of:				
Restructuring and impairment charges	(6)	(11)	18	(13)
Acquisition and divestiture-related charges	(24)	(14)	15	(25)
Gain associated with the Juice Transaction	—	1,156	(1,156)	—
Impairment and other charges	116	55	61	—
Core operating margin growth, Non-GAAP measure ^(a)	163 bps	51 bps	43 bps	70 bps

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PBNA Operating Margin Performance Reconciliation

	Quarter Ended 12/30/2023	Quarter Ended 12/31/2022
Reported operating margin performance, GAAP measure	(173) bps	41 bps
Impact of:		
Restructuring and impairment charges	(44)	57
Acquisition and divestiture-related charges	(5)	(1)
Impairment and other charges	250	13
Core operating margin growth, Non-GAAP measure ^(a)	<u>28 bps</u>	<u>110 bps</u>

PBNA Core Operating Profit Reconciliation (in millions)

	Three-Year Change	Year Ended 12/30/2023	Year Ended 12/26/2020
Reported operating profit, GAAP measure	\$ 646	\$ 2,584	\$ 1,937
Items Affecting Comparability			
Restructuring and impairment charges	(6)	41	47
Acquisition and divestiture-related charges	(50)	16	66
Impairment and other charges	321	321	—
Core operating profit, Non-GAAP measure ^(a)	<u>\$ 911</u>	<u>\$ 2,962</u>	<u>\$ 2,050</u>

International Operating Margin Growth Reconciliation

	Year Ended 12/30/2023	Quarter Ended 12/30/2023
Reported operating margin growth, GAAP measure	837 bps	1,048 bps
Impact of:		
Restructuring and impairment charges	27	(38)
Acquisition and divestiture-related charges	(5)	(1)
Gain associated with the Juice Transaction	87	—
Impairment and other charges	(746)	(683)
Core operating margin growth, Non-GAAP measure ^(a)	<u>200 bps</u>	<u>325 bps</u>

PepsiCo Free Cash Flow Reconciliation (in millions)

	Year Ended 12/30/2023	Year Ended 12/31/2022	Change
Net cash provided by operating activities, GAAP measure	\$ 13,442	\$ 10,811	24 %
Capital spending	(5,518)	(5,207)	
Sales of property, plant and equipment	198	251	
Free cash flow, non-GAAP measure ^(a)	<u>\$ 8,122</u>	<u>\$ 5,855</u>	39 %

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Diluted EPS Growth Reconciliation

	Year Ended 12/30/2023	Year Ended 12/31/2022	Year Ended 12/25/2021	Quarter Ended 12/30/2023
Reported diluted EPS growth, GAAP measure	2 %	17 %	7 %	152 %
Impact of:				
Mark-to-market net impact	—	0.5	1	(8)
Restructuring and impairment charges	—	2	—	(26)
Acquisition and divestiture-related charges	(0.5)	1	(3)	—
Gain associated with the Juice Transaction	30	(44)	—	4
Impairment and other charges	(21)	45	—	(126)
Product recall-related impact	1	—	—	24
Pension and retiree medical-related impact	(2)	3.5	(2)	(21)
Charge related to cash tender offers	—	(10)	8	—
Tax benefit related to the IRS audit	3	(5)	—	8
Net tax related to the TCJ Act	(1)	(2)	2	—
Core diluted EPS growth, Non-GAAP measure ^(a)	12 %	9 %	13 %	7 %
Impact of foreign exchange translation	2	2	(1.5)	2
Core constant currency diluted EPS growth, Non-GAAP measure ^(a)	<u>14 %</u>	<u>11 %</u>	<u>12 %</u>	<u>9 %</u>

Diluted EPS Reconciliation

	Year Ended 12/30/2023	Year Ended 12/28/2019	Change
Reported diluted EPS, GAAP measure	\$ 6.56	\$ 5.20	26 %
Mark-to-market net impact	0.02	(0.06)	
Restructuring and impairment charges	0.25	0.21	
Acquisition and divestiture-related charges	0.02	0.03	
Impairment and other charges	0.68	—	
Product-recall related impact	0.07	—	
Pension and retiree medical-related impact	0.01	0.15	
Net tax related to the TCJ Act	—	(0.01)	
Core diluted EPS, Non-GAAP measure ^(a)	<u>\$ 7.62</u>	<u>\$ 5.53</u>	38 %

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