

PepsiCo, Inc. and Subsidiaries Q1 2023 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 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); 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. 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, including the impact, in the year ended December 25, 2021, of an extra month of net revenue for our acquisitions of Pioneer Food Group Ltd. in our Africa, Middle East and South Asia division and Hangzhou Haomusi Food Co., Ltd. in our Asia Pacific, Australia and New Zealand and China Region 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.

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 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Q1 2023 Form 10-Q and in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the fiscal year ended December 31, 2022. 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 include merger and integration charges and costs associated with divestitures. Divestiture-related charges reflect transaction expenses, including consulting, advisory and other professional fees.

Gain associated with the Juice Transaction: In the 12 weeks ended March 19, 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 operating

¹ For a full discussion of our first quarter 2023 financial results, including definitions we use in discussing our financial results, please refer to our first quarter 2023 earnings release and our quarterly report on Form 10-Q for the fiscal quarter ended March 25, 2023 (Q1 2023 Form 10-Q) both available at [pepsico.com/investors](https://www.pepsico.com/investors).

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/credits: 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 deadly 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.

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 the prior year related to the sale of a non-strategic brand.

Other impairment charges: We recognized impairment charges related to certain of our indefinite-lived intangible assets which reflected an increase in the weighted-average cost of capital as well as our estimates of future financial performance as of the fourth quarter of 2022.

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 interest costs, as well as curtailment gains.

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.

Tax expense related to the TCJ Act: Tax expense related to the Tax Cuts and Jobs Act (TCJ Act) reflects adjustments to the mandatory transition tax liability under the TCJ Act.

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

2023 guidance: Our 2023 organic revenue growth guidance excludes the impact of acquisitions and divestitures, foreign exchange translation and the impact of a 53rd reporting week in 2022. Our 2023 core effective tax rate guidance and 2023 core constant currency earnings per share (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 2023 core constant currency EPS growth guidance also excludes the impact of foreign exchange translation. We are unable to reconcile our full-year projected 2023 organic revenue growth to our full-year projected 2023 reported net revenue growth because we are unable to predict the 2023 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 and divestitures. We are also not able to reconcile our full-year projected 2023 core effective tax rate to our full-year projected 2023 reported effective tax rate and our full-year projected 2023 core constant currency EPS growth to our full-year projected 2023 reported EPS growth because we are unable to predict the 2023 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 Performance Reconciliation

	12 Weeks Ended 3/25/2023			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure ^(a)
		Foreign exchange translation	Acquisitions and divestitures	
PepsiCo	10 %	2.5	2	14 %
North America	11 %	0.5	2	14 %
International	7 %	7	1.5	15 %
Global beverages	6 %	2	3	12 %
Global convenient foods	13 %	3	—	16 %
Frito-Lay North America (FLNA)	15 %	—	—	16 %
Quaker Foods North America (QFNA)	9 %	1	—	10 %
PBNA	8 %	—	3	12 %
International convenient foods	11 %	6	1	18 %
International beverages	(2)%	9	3	10 %
Africa, Middle East and South Asia (AMESA) beverages	MSD %	DD	—	DD %
AMESA convenient foods	—	DD	—	DD %
Latin America:				
Mexico	DD %	(DD)	—	DD %
Brazil	DD %	(MSD)	MSD	DD %
Europe:				
Poland	DD %	DD	DD	DD %
U.K.	(HSD) %	DD	HSD	DD %
Spain	DD %	MSD	—	DD %
France	(MSD) %	MSD	DD	DD %
AMESA:				
India	DD %	DD	—	DD %
Egypt	(DD) %	DD	—	DD %
Saudi Arabia	DD %	—	—	DD %
Pakistan	MSD %	DD	—	DD %
South Africa	(MSD) %	DD	LSD	HSD %
Asia Pacific, Australia and New Zealand and China Region:				
Philippines	MSD %	HSD	—	DD %
Vietnam	DD %	LSD	—	DD %
Australia	LSD %	LSD	—	MSD %

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 1-2 for further discussion on non-GAAP measures.

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

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

Net Revenue Growth Reconciliation

	Reported % Change, GAAP Measure	Impact of			Organic % Change, Non- GAAP Measure ^(a)
		Foreign exchange translation	Acquisitions and divestitures	53 rd reporting week	
PepsiCo					
Quarter ended 12/31/2022	11 %	3	4	(4)	15 %
Quarter ended 9/3/2022	9 %	3	4	—	16 %
Quarter ended 6/11/2022	5 %	3	5	—	13 %
Quarter ended 3/19/2022	9 %	1	3	—	14 %
Quarter ended 12/25/2021	12 %	—	(0.5)	—	12 %
FLNA					
Quarter ended 12/31/2022	25 %	1	—	(7)	18 %
Quarter ended 9/3/2022	20 %	—	—	—	20 %
Quarter ended 6/11/2022	14 %	—	—	—	14 %
Quarter ended 3/19/2022	14 %	—	—	—	14 %
Quarter ended 12/25/2021	13 %	—	—	—	13 %
PBNA					
Quarter ended 12/31/2022	6 %	0.5	9	(5)	10 %
Quarter ended 9/3/2022	4 %	—	9	—	13 %
International					
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 %
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 %

Operating Profit Performance Reconciliation

	12 Weeks Ended 3/25/2023						
	Impact of Items Affecting Comparability						
	Reported % Change, GAAP Measure	Mark-to- market net impact	Restructuring and impairment charges	Acquisition and divestiture- related charges	Gain associated with the Juice Transaction	Impairment and other charges/ credits	Core % Change, Non- GAAP Measure ^(a)
PepsiCo	(50)%	4	2	(1)	73	(11)	17 %
FLNA	23 %	—	—	—	—	—	24 %
QFNA	18 %	—	—	—	—	—	18 %
PBNA	(86) %	—	—	(1)	96	—	9 %

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PepsiCo, Inc. and Subsidiaries
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Operating Margin Performance Reconciliation

	12 Weeks Ended 3/25/2023		
	PepsiCo	FLNA	QFNA
Reported operating margin performance, GAAP measure	(1,778) bps	185 bps	190 bps
Impact of:			
Mark-to-market net impact	109	—	—
Restructuring and impairment charges	47	7	2
Acquisition and divestiture-related charges	(30)	—	—
Gain associated with the Juice Transaction	2,050	—	—
Impairment and other charges/credits	(305)	—	—
Core operating margin growth, non-GAAP measure ^(a)	<u>93 bps</u>	<u>191 bps</u>	<u>192 bps</u>

PepsiCo Gross Profit Growth Reconciliation

	12 Weeks Ended 3/25/2023
Reported gross profit growth, GAAP measure	12 %
Impact of:	
Mark-to-market net impact	1
Restructuring and impairment charges	—
Impairment and other charges/credits	(2)
Core gross profit growth, non-GAAP measure ^(a)	<u>11 %</u>

PepsiCo Gross Margin Growth Reconciliation

	12 Weeks Ended 3/25/2023
Reported gross margin growth, GAAP measure	112 bps
Impact of:	
Mark-to-market net impact	28
Restructuring and impairment charges	—
Impairment and other charges/credits	(89)
Core gross margin growth, non-GAAP measure ^(a)	<u>51 bps</u>

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Diluted EPS Performance Reconciliation

12 Weeks Ended
3/25/2023

Reported diluted EPS performance, GAAP measure	(54) %
Impact of:	
Mark-to-market net impact	4
Restructuring and impairment charges	2
Acquisition and divestiture-related charges	(1)
Gain associated with the Juice Transaction	77
Impairment and other charges/credits	(12)
Pension and retiree medical-related impact	—
Core diluted EPS growth, non-GAAP measure ^(a)	16 %
Impact of foreign exchange translation	2
Core constant currency diluted EPS growth, non-GAAP measure ^(a)	18 %

2022 Diluted EPS Reconciliation

Year Ended
12/31/2022

Reported diluted EPS, GAAP measure	\$ 6.42
Mark-to-market net impact	0.03
Restructuring and impairment charges	0.24
Acquisition and divestiture-related charges	0.05
Gain associated with the Juice Transaction	(2.08)
Impairment and other charges/credits	2.12
Pension and retiree medical-related impact	0.17
Tax benefit related to the IRS audit	(0.23)
Tax expense related to the TCJ Act	0.06
Core diluted EPS, non-GAAP measure ^(a)	\$ 6.79

^(a) A financial measure that is not in accordance with GAAP. See pages 1-2 for further discussion on non-GAAP measures.
Note – Certain amounts above may not sum due to rounding.