First Quarter 2024
Prepared Management Remarks
April 23, 2024

Please view these remarks in conjunction with our Q1 2024 earnings release, Q1 2024 Form 10-Q 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, April 23, 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 Q1 2024 earnings release and Q1 2024 Form 10-Q, available on 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, while our financial results in the United States and Canada (North America) are reported on a 12-week basis, all of our international operations report on a monthly calendar basis for which the months of January and February are reflected in our results for the 12 weeks ended March 23, 2024.

Chairman and CEO and Executive Vice President and CFO Commentary

We are pleased with our performance in the first quarter, in which:

- PepsiCo delivered 2.7 percent organic revenue growth, which compares to a very strong first quarter of 2023 in which we delivered 14.3 percent organic revenue growth. The performance of our Quaker Foods North America business – which was heavily impacted by product recalls – detracted approximately one percentage point from our organic revenue growth;
- Global organic volume trends, both in convenient foods and beverages, showed improvement versus last quarter;
- Core gross and core operating margin expanded as compared to the first quarter of 2023, driven by end-to-end productivity initiatives; and
- Core constant currency EPS grew 7 percent, which compares to 18 percent core constant currency EPS growth in the first quarter of 2023.

Results for the quarter were led by our International business, which delivered notable volume improvements, versus the previous quarter, as well as strong organic revenue growth and core operating profit growth.

In North America, volume trends at Frito-Lay and PepsiCo Beverages also improved, versus the previous quarter, as our Frito-Lay business continued to gain market share, while PepsiCo Beverages continued to improve its core operating margin. However, as we expected, results for Quaker Foods were significantly impacted by certain product recalls.

Looking ahead:

- We expect our international businesses to perform well as we capitalize on strong category growth in developing and emerging markets;
- We expect our North America businesses to gradually improve as our comparisons ease, the impacts associated with certain product recalls moderate, and we continue to effectively satisfy consumers' desires for convenience, variety, availability, and affordability;
- We will continue to elevate and accelerate our productivity initiatives across our entire organization. These savings will be utilized to support future growth and productivity initiatives such as continuous investments in our brands, data foundation, digitalization, and automation; and
- We will also continue to advance 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;
    - 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; and

  - Taking bold actions aimed to reduce our climate-related impacts, develop and deploy more sustainable packaging, recapture packaging materials, help replenish watersheds and minimize water use.

As a result, we continue to expect to deliver at least 4 percent organic revenue growth and at least 8 percent core constant currency EPS growth for 2024. Additionally, our previously announced 7 percent annualized dividend increase is expected to begin with our June 2024 payment and will represent our 52nd consecutive annual increase.

First Quarter PepsiCo Financial Review

Organic revenue increased 2.7 percent, which compares to 14.3 percent organic revenue growth during the first quarter of 2023. As mentioned earlier, the performance of our Quaker Foods North America business detracted approximately one percentage point from our organic revenue growth rate.

Our global convenient foods organic revenue increased 2.5 percent and global beverage organic revenue increased 3 percent. We were encouraged to see an improvement in our organic volume trends, versus the prior quarter, led by the strong performance within our international business.

Core gross margin and core operating margin expanded 35 and 40 basis points versus the prior year, respectively, reflecting the benefits of our holistic cost management initiatives, partially offset by ongoing inflationary pressures and planned business investments.

Core constant currency EPS increased 7 percent while reported EPS increased 6 percent.

First Quarter North America Divisions Review

Frito-Lay North America delivered 2 percent organic revenue growth, which compares to 16 percent organic revenue growth in the prior-year quarter. Our business gained market share within the savory and macro snack categories as we continued to offer a wide array of consumer choices by:

- Having an extensive 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 and texture profiles across large brands such as Lay’s, Doritos, and Cheetos;
- Establishing Flamin’ Hot as a standalone brand with bold new packaging;
- Offering more packaging diversification with multipacks, variety packs and Frito-Lay

Minis, which are bite-size versions of Doritos, Cheetos and SunChips packaged in an easy-to-pour canister;
- Expanding the scope and presence of our products and packages to capture new consumer occasions across the away-from-home channel, where Frito-Lay has a very long runway for expansion and growth over time. For example, we recently extended our long-standing partnership with Subway through 2030. We will continue to seek more opportunities for growth in this important and profitable channel; and
- Delivering consumer-centric innovation and assortments that provide good value through the eCommerce channel where we saw a high-single-digit increase in net revenue during the quarter.

As a result, iconic brands such as Cheetos and Doritos delivered mid-single-digit net revenue growth. Our smaller brands geared towards specialty snacking occasions or positive choices such as Miss Vickie's and BARE, each delivered double-digit net revenue growth, while SunChips delivered high-single-digit net revenue growth and PopCorners and Stacy's each delivered mid-single-digit net revenue growth.

Core operating profit declined 2 percent, which compares to very strong 24 percent core operating profit growth during the first quarter of 2023.

Quaker Foods North America organic revenue declined 24 percent and reflects the impact of product recalls and soft category growth. This compares to 10 percent organic revenue growth in the prior year quarter.

Core operating profit declined 35 percent and reflects the impact of the product recalls and certain inflationary pressures. This compares to 18 percent core operating profit growth in the first quarter of 2023.

We recently announced our intention to close the manufacturing facility that was involved with the recalls and have resumed limited production on certain products affected by the recalls through other facilities. We expect more production to resume in the coming months and expect the financial impacts associated with these product recalls to moderate as the year progresses.

PepsiCo Beverages North America delivered 1 percent organic revenue growth, which compares to 12 percent organic revenue growth in the prior year quarter. Core operating profit increased 7 percent and core operating margin expanded 45 basis points.

Pepsi and Mountain Dew each delivered net revenue growth, led by the strong performance of zero sugar variants. Our Propel and bubly brands also delivered good net revenue growth. We also saw a notable improvement in our Gatorade market share trends as the quarter progressed.

In 2024, our business will continue to focus on shifting our portfolio towards attractive and more-profitable growth areas such as:

- Positive choice offerings with zero sugar variants that can now be found across our portfolio of key brands including Pepsi, Mountain Dew, Gatorade, Starry, Mug, Rockstar and most recently, Lipton Pure Leaf;
- Sports nutrition and hydration offerings with our Gatorade, Propel, bubly and LifeWTR brands. For example, we recently launched electrolyte-infused Gatorade water and bubly burst, a lightly sweetened sparkling water beverage. We will also 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 and Starbucks varieties. We also remain pleased with the fast-growing Celsius brand and its performance within our distribution system;
- The away-from-home channel - which continues to deliver attractive, profitable growth - through targeted execution and scaled distribution of our brands. For example, we were very pleased to be selected by Subway as their preferred beverage partner in the United States for a 10-year term beginning January 1, 2025; and
- Continuing to build and develop our presence in the eCommerce channel where our business posted double-digit net revenue growth in the quarter.

We also remain very committed to improving PepsiCo Beverages North America's core operating margin over time by:

- Deemphasizing certain low or no profit product and package combinations;
- Leveraging our revenue management capabilities across brands, channels, and packages to offer increasingly precise consumer value propositions;
- 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.

First Quarter International Business Review

As a reminder, our first quarter incorporates only the months of January and February for our International business. International organic revenue increased 9 percent – the twelfth consecutive quarter in which we delivered at least high-single-digit organic revenue growth.

Each of our International divisions delivered at least high-single digit organic revenue growth with most of the divisions delivering organic volume growth. Our International convenient foods business delivered 9 percent organic revenue growth, while our International beverages business delivered 10 percent organic revenue growth.

Developing and emerging markets such as Mexico, Brazil, Turkey, Egypt, Pakistan, and China each delivered double-digit organic revenue growth. International developed markets also performed well with Australia delivering double-digit organic revenue growth and the U.K. delivering high-single-digit organic revenue growth.

Year-to-date, we gained savory snack share in China, India, Brazil, Australia, and Pakistan, and for beverages, we gained share in Brazil, Turkey, South Korea, Thailand, Vietnam, and Pakistan.

Core operating margin increased 180 basis points, led by both Europe and Latin America which each delivered a significant improvement in their core operating margin. This reflects the benefits of strong net revenue growth, greater productivity, a strong increase in advertising and marketing spend, as well as planned business investments.

Our profitable growth continues to 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.

To conclude, we continue to see a long runway for profitable growth in our international business. And 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

We remain confident that our businesses will remain resilient as we operate in attractive, growing categories with large, trusted brands that offer consumers convenience, variety, availability, and affordability.

As we look ahead, we continue to expect a normalization and moderation in category growth rates versus the last few years. We also continue to expect that consumers will 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 continue to expect International organic revenue growth to exceed North America organic revenue growth. Geopolitical tensions and macroeconomic volatility are expected to remain elevated, while disruptions associated with ongoing conflicts in certain international markets may persist. Separately, we expect the financial impacts associated with product recalls at Quaker Foods North America to moderate as the year progresses.
We also continue to expect inflationary pressures to moderate versus the prior year, but certain agricultural commodity costs may remain elevated. In addition, our operating expenses will reflect investments directed at:

- Supporting our brands, innovation pipeline and channel expansion initiatives;
- Adding manufacturing, distribution, and go-to-market capacity to support growth;
- Continuing to digitalize our organization 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.

To help mitigate certain inflationary pressures and support our investments, we will continue to elevate and accelerate our productivity programs by:

- Expanding automation at our plants, warehouses, and distribution centers;
- Advancing digitalization across our organization;
- Maximizing labor efficiencies with our Global Business Services model;
- Standardizing and harmonizing our IT systems; and
- Minimizing areas of waste throughout our value chain.

As a result, for fiscal 2024, we continue to expect:

- At least 4 percent organic revenue growth;
- At least 8 percent core constant currency EPS growth; and
- A core annual effective tax rate of 20 percent.

Based on current market consensus rates, we continue to 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.

We continue to expect total cash returns to shareholders of approximately $8.2 billion through $7.2 billion in dividends and $1.0 billion in share repurchases.

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 have placed in us with your investment.

Ramon Laguarta
Chairman and Chief Executive Officer

Jamie Caulfield
Executive Vice President and Chief Financial Officer