

PepsiCo, Inc. Q2 2021 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; costs 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.

Glossary

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

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 12 weeks ended June 12, 2021 and June 13, 2020, refer to “Items Affecting Comparability” in “Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Q2 2021 Form 10-Q. The two-year core constant currency operating profit growth is the sum of core constant currency operating profit growth for Q2 2021 and Q2 2020. 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 2026 to take advantage of additional opportunities within the initiatives of the plan.

Inventory fair value adjustments and merger and integration charges: In the 12 weeks ended June 12, 2021, charges related to our acquisitions of BFY Brands, Inc. (BFY Brands), Rockstar Energy Beverages (Rockstar), Pioneer Food Group Ltd. (Pioneer Foods) and Hangzhou Haomusi Food Co., Ltd. (Be & Cheery), as well as other transaction-related costs. In the year ended December 26, 2020, charges related to our acquisitions of BFY Brands, Rockstar, Pioneer Foods and Be & Cheery.

Pension-related settlement charge: In the year ended December 26, 2020, we recorded a pension settlement charge related to lump sum distributions exceeding the total of annual service and interest cost.

Effective net pricing: Reflects the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries.

¹ For a full discussion of our second quarter 2021 financial results, including definitions we use in discussing our financial results, please refer to our second quarter 2021 earnings release and our quarterly report on Form 10-Q for the fiscal quarter ended June 12, 2021 (Q2 2021 Form 10-Q) both available at pepsico.com/investors.

Organic revenue growth: A measure that adjusts for the impacts of foreign exchange translation, acquisitions and divestitures, and where applicable, the impact of the 53rd reporting week. Adjusting for acquisitions and divestitures reflects all mergers and acquisitions activity, including the impact of an extra month of net revenue in the 12 weeks ended June 12, 2021 as we aligned Pioneer Foods' reporting calendar with that of our AMESA division, divestitures and other structural changes, including changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees. The two-year organic revenue growth rate is the sum of organic revenue growth rates for Q2 2021 and Q2 2020.

Organic volume: Excludes the impact of acquisitions and divestitures, including the impact of an extra month of volume as we aligned Pioneer Foods' reporting calendar with that of our AMESA division, other structural changes, changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees, and where applicable, the impact of the 53rd reporting week.

2021 guidance: Our 2021 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. Our 2021 core effective tax rate guidance and 2021 core constant currency EPS guidance 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 also excludes the impact of foreign exchange translation. We are unable to reconcile our full year projected 2021 organic revenue growth to our full year projected 2021 reported net revenue growth because we are unable to predict the 2021 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 2021 core effective tax rate to our full year projected 2021 reported effective tax rate and our full year projected 2021 core constant currency EPS growth to our full year projected 2021 reported EPS because we are unable to predict the 2021 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

	12 Weeks Ended 6/12/2021					
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure	Impact of	
		Foreign exchange translation	Acquisitions and divestitures		Organic volume	Effective net pricing
PepsiCo	21 %	(3)	(4)	13 %	7	5

Diluted Earnings Per Share (EPS) Growth Reconciliation

	12 Weeks Ended 6/12/2021
Reported diluted EPS growth, GAAP measure	44 %
Impact of:	
Mark-to-market net impact	1.5
Restructuring and impairment charges	1
Inventory fair value adjustments and merger and integration charges	(15)
Core diluted EPS growth	31 %
Impact of foreign exchange translation	(4)
Core constant currency diluted EPS growth, Non-GAAP measure	27 %

Operating Margin Growth Reconciliation

	12 Weeks Ended 6/12/2021
Reported operating margin growth, GAAP measure	174 bps
Impact of:	
Mark-to-market net impact	17
Restructuring and impairment charges	3
Inventory fair value adjustments and merger and integration charges	(124)
Core operating margin growth, Non-GAAP measure	71 bps

PepsiCo Beverages North America (PBNA) Operating Margin Growth Reconciliation

	12 Weeks Ended 6/12/2021
Reported operating margin growth, GAAP measure	516 bps
Impact of:	
Restructuring and impairment charges	2
Inventory fair value adjustments and merger and integration charges	(86)
Core operating margin growth, Non-GAAP measure	432 bps

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

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Net Revenue Growth Reconciliation

	12 Weeks Ended 6/12/2021			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non- GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	
Global snacks	17 %	(4)	(6)	6 %
Global beverages	25 %	(2)	(2.5)	21 %
Developed markets	15 %	(2.5)	(1)	12 %
Developing and emerging markets	35 %	(6)	(13)	16 %
Frito-Lay North America (FLNA)	7 %	(1)	—	6 %
PBNA	24 %	(1)	(2)	21 %
International beverages	29 %	(5)	(3)	22 %
International snacks	33 %	(9)	(13)	11 %
Latin America:				
Brazil	DD %	MSD	—	DD %
Mexico	DD %	(DD)	—	DD %
Europe:				
France	DD %	(DD)	—	DD %
Germany	DD %	(DD)	—	DD %
Poland	DD %	(HSD)	—	HSD %
Russia	DD %	LSD	—	DD %
Spain	DD %	(DD)	—	DD %
Turkey	HSD %	DD	—	DD %
U.K.	DD %	(DD)	—	MSD %
Africa, Middle East and South Asia:				
Egypt	DD %	(LSD)	(HSD)	DD %
India	DD %	(MSD)	—	DD %
South Africa	TD %	(DD)	(TD)	DD %

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

Gross Profit Growth Reconciliation

	12 Weeks Ended 6/12/2021
Reported gross profit growth, GAAP measure	17 %
Impact of:	
Mark-to-market net impact	—
Inventory fair value adjustments and merger and integration charges	—
Core gross profit growth, Non-GAAP measure	17 %

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

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Gross Profit Margin Performance Reconciliation

	12 Weeks Ended 6/12/2021
Reported gross profit margin performance, GAAP measure	(175) bps
Impact of:	
Mark-to-market net impact	8
Inventory fair value adjustments and merger and integration charges	(11)
Core gross profit margin performance, Non-GAAP measure	(178) bps

Operating Profit Growth Reconciliation

	12 Weeks Ended 6/12/2021						
	Impact of Items Affecting Comparability				Impact of		
	Reported % Change, GAAP Measure	Mark- to- market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core % Change, Non- GAAP Measure	Foreign exchange translation	Core Constant Currency % Change, Non-GAAP Measure
PepsiCo	35 %	1	1	(11)	26 %	(3.5)	22 %
FLNA	8 %	—	—	—	8 %	(1)	7 %
PBNA	104 %	—	0.5	(20)	84 %	(2)	83 %

FLNA Operating Margin Growth Reconciliation

	12 Weeks Ended 6/12/2021
Reported operating margin growth, GAAP measure	43 bps
Impact of:	
Restructuring and impairment charges	5
Inventory fair value adjustments and merger and integration charges	(4)
Core operating margin growth, Non-GAAP measure	44 bps

Quaker Foods North America (QFNA) Net Revenue Growth Reconciliation

	12 Weeks Ended		Two-year revenue growth
	6/12/2021	6/13/2020	
Reported net revenue (performance)/growth, GAAP measure	(13) %	23 %	9 %
Impact of foreign exchange translation	(1)	—	(1)
Organic revenue (performance)/growth, Non-GAAP measure	(14) %	23 %	9 %

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

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QFNA Operating Profit Growth Reconciliation

	12 Weeks Ended		Two-year operating profit growth
	6/12/2021	6/13/2020	
Reported operating margin (performance)/growth, GAAP measure	(34) %	55 %	21 %
Impact of restructuring and impairment charges	—	—	—
Core operating margin (performance)/growth, GAAP measure	(34) %	55 %	21 %
Impact of foreign exchange translation	—	—	—
Core Constant Currency operating margin (performance)/growth, GAAP measure	<u>(35) %</u>	<u>55 %</u>	<u>20 %</u>

Fiscal 2020 Diluted EPS Reconciliation

	Year Ended 12/26/2020
Reported diluted EPS, GAAP measure	5.12
Mark-to-market net impact	(0.04)
Restructuring and impairment charges	0.17
Inventory fair value adjustments and merger and integration charges	0.17
Pension-related settlement charge	0.11
Core diluted EPS, Non-GAAP measure	<u>5.52</u>

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