

PepsiCo, Inc. Q4 2021 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, 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; gains associated with divestitures; 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; asset impairments (non-cash); and remeasurements of net monetary assets. Previously, 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 will continue to be reflected in our core results. 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, which may not be the same as or comparable to similar measures presented by other companies:

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, refer to “Items Affecting Comparability” in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Form 10-K. 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.

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, closing costs, employee-related costs, gains associated with contingent consideration, contract termination costs and other integration costs.

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 related to plan changes.

¹ For a full discussion of our fourth quarter and full-year 2021 financial results, including definitions we use in discussing our financial results, please refer to our fourth quarter and full-year 2021 earnings release and our Form 10-K for the fiscal year ended December 25, 2021 (2021 Form 10-K) both available at pepsico.com/investors.

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 expense related to the TCJ Act: Tax expense related to the TCJ Act reflects adjustments to the mandatory transition tax liability under the TCJ Act.

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.

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 every five or six years (53rd reporting week), including in our 2022 financial results. Adjusting for acquisitions and divestitures reflects mergers and acquisitions 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. (Pioneer Foods) in our Africa, Middle East and South Asia division and Hangzhou Haomusi Food Co., Ltd. (Be & Cheery) 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. 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. The two-year organic revenue growth rate is the sum of organic revenue growth rates for the current period and the corresponding period in the prior year.

Organic volume: Excludes the impact of acquisitions and divestitures, and where applicable, the impact of the 53rd reporting week. Adjusting for acquisitions and divestitures reflects mergers and acquisitions activity, including the impact, in the year ended December 25, 2021, of an extra month of volume for our acquisitions of Pioneer Foods in our Africa, Middle East and South Asia division and Be & Cheery 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.

2022 guidance and long-term organic revenue target: Our 2022 organic revenue growth guidance and our long-term organic revenue growth target exclude the impact of acquisitions and divestitures, the impact of the 53rd reporting week and foreign exchange translation. Our 2022 core effective tax rate guidance and our 2022 core constant currency earnings per share (EPS) growth guidance exclude the mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2022 core constant currency EPS growth guidance also excludes the impact of foreign exchange translation. We are unable to reconcile our full year projected 2022 or our long-term organic revenue growth to our full year projected 2022 and long-term reported net revenue growth because we are unable to predict the 2022 and 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 and divestitures. We are also not able to reconcile our full year projected 2022 core effective tax rate to our full year projected 2022 reported effective tax rate and our full year projected 2022 core constant currency EPS growth to our full year projected 2022 reported EPS growth because we are unable to predict the 2022 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
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PepsiCo Net Revenue Growth Reconciliation

	Quarter Ended 12/25/2021					
	Reported % Change, GAAP Measure	Impact of			Impact of	
		Foreign exchange translation	Acquisitions and divestitures	Organic % Change, Non-GAAP Measure ^(a)	Organic volume	Effective net pricing
PepsiCo	12 %	—	(0.5)	12 %	5	7

Gross Profit Growth Reconciliation

	Quarter Ended 12/25/2021	Year Ended 12/25/2021
Reported gross profit growth, GAAP measure	9 %	10 %
Impact of:		
Mark-to-market net impact	1	—
Restructuring and impairment charges	—	—
Acquisition and divestiture-related charges	—	—
Core gross profit growth, Non-GAAP measure ^(a)	<u>10 %</u>	<u>10 %</u>

Operating Profit Growth Reconciliation

	Year Ended 12/25/2021					
	Reported % Change, GAAP Measure	Impact of Items Affecting Comparability				Core % Change, Non- GAAP Measure ^(a)
		Mark-to- market net impact	Restructuring and impairment charges	Acquisition and divestiture- related charges	Core % Change, Non- GAAP Measure ^(a)	
PepsiCo	11 %	1	—	(3)	8 %	
Frito-Lay North America (FLNA)	5.5 %	—	(1)	(0.5)	4 %	
PepsiCo Beverages North America (PBNA)	26 %	—	(2)	(4)	21 %	

^(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
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Net Revenue Growth Reconciliation

	Quarter Ended 12/25/2021			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure ^(a)
		Foreign exchange translation	Acquisitions and divestitures	
North America	13 %	—	—	12 %
Global beverages	11 %	—	(0.5)	11 %
Global convenient foods	13 %	—	—	13 %
FLNA	13 %	—	—	13 %
PBNA	13 %	—	—	12 %
International	12 %	—	(1)	11 %
International beverages	9 %	—	(1.5)	8 %
International convenient foods	14 %	—	(1)	13 %
Developing and emerging markets	DD %	—	(LSD)	DD %
Latin America:				
Brazil	DD %	LSD	—	DD %
Mexico	DD %	(LSD)	—	DD %
Europe:				
Spain	DD %	MSD	—	DD %
Turkey	MSD %	DD	—	DD %
Africa, Middle East and South Asia:				
Egypt	DD %	—	(DD)	DD %
India	DD %	LSD	—	DD %
Asia Pacific, Australia and New Zealand and China Region:				
China	DD %	(MSD)	(MSD)	DD %
Thailand	DD %	HSD	—	DD %

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

Net Revenue Growth Reconciliation

	Year Ended 12/25/2021			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure ^(a)
		Foreign exchange translation	Acquisitions and divestitures	
PepsiCo	13 %	(1)	(2)	10 %
FLNA	8 %	(0.5)	—	7 %
PBNA	12 %	(0.5)	(1)	10 %
International	18 %	(2)	(5)	11 %

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Quaker Foods North America Net Revenue Growth Reconciliation

	Quarter Ended		Two-year revenue growth
	12/25/2021	12/26/2020	
Reported net revenue growth, GAAP measure	9 %	8 %	17 %
Impact of:			
Foreign exchange translation	—	—	(0.5)
Organic revenue growth, Non-GAAP measure ^(a)	<u>9 %</u>	<u>8 %</u>	<u>17 %</u>
	Year Ended		Two-year revenue growth
	12/25/2021	12/26/2020	
Reported net revenue growth, GAAP measure	— %	10 %	11 %
Impact of:			
Foreign exchange translation	(1)	—	(1)
Organic revenue growth, Non-GAAP measure ^(a)	<u>— %</u>	<u>11 %</u>	<u>10 %</u>

Operating Profit Growth Reconciliation

	Quarter Ended 12/25/2021			
	Reported % Change, GAAP Measure	Impact of Items Affecting Comparability		Core % Change, Non-GAAP Measure ^(a)
Restructuring and impairment charges		Acquisition and divestiture-related charges		
FLNA	10 %	(5)	—	5 %
PBNA	(10)%	(8)	9	(9)%

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Diluted EPS Growth Reconciliation	Year Ended 12/25/2021
Reported diluted EPS growth, GAAP measure	7 %
Impact of:	
Mark-to-market net impact	1
Restructuring and impairment charges	—
Acquisition and divestiture-related charges	(3)
Pension and retiree medical-related impact	(2)
Charge related to cash tender offers	8
Tax expense related to the TCJ Act	2
Core diluted EPS growth, Non-GAAP measure ^(a)	13 %
Impact of foreign exchange translation	(1.5)
Core constant currency diluted EPS growth, Non-GAAP measure ^(a)	12 %

Diluted EPS Reconciliation	Year Ended 12/25/2021
Reported diluted EPS, GAAP measure	\$ 5.49
Impact of:	
Mark-to-market net impact	0.01
Restructuring and impairment charges	0.15
Acquisition and divestiture-related charges	(0.02)
Pension and retiree medical-related impact	0.01
Charge related to cash tender offers	0.49
Tax expense related to the TCJ Act	0.14
Core diluted EPS, Non-GAAP measure ^(a)	\$ 6.26

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