

PepsiCo, Inc. Q3 2019 Earnings Call
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): core results, core constant currency results, free cash flow and organic 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 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; amounts associated with mergers, acquisitions, divestitures and other structural changes; debt redemptions, cash tender or exchange offers; pension and retiree medical related items; asset impairments (non-cash); and remeasurements of net monetary assets.

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.

Free cash flow

Free cash flow: Net cash provided by 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 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.

2019 guidance

Our 2019 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. Our 2019 core tax rate guidance and 2019 core constant currency EPS performance guidance exclude the mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2019 core constant currency EPS performance guidance also excludes the impact of foreign exchange translation. We are unable to reconcile our full year projected 2019 organic revenue growth to our full year projected 2019 reported net revenue growth because we are unable to predict the 2019 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 unable to reconcile our full year projected 2019 core tax rate to our full year projected 2019 reported tax rate, or our full year projected 2019 core constant currency EPS performance to our full year projected 2019 reported EPS performance, because we are unable to predict the 2019 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.

¹ For a full discussion of our third quarter 2019 financial results, including definitions we use in discussing our financial results, please refer to our press release issued October 3, 2019 and our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on October 3, 2019.

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

Net Revenue Growth Reconciliation	12 Weeks Ended 9/7/2019			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	
PepsiCo	4%	1	(1)	4%
Frito-Lay North America	5.5 %	—	—	5.5 %
PepsiCo Beverages North America (PBNA)	3.5 %	—	(1)	3 %
Latin America	2 %	2	—	4 %
Europe Sub-Saharan Africa	6 %	4	(5)	4 %
Asia, Middle East and North Africa	5 %	1	3.5	9 %
Developing and Emerging Markets	3 %	2	2	7 %

Net Revenue Growth Reconciliation	12 Weeks Ended 9/8/2018				
	Reported % Change, GAAP Measure	Impact of			Organic % Change, Non-GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	Sales and certain other taxes ^(a)	
PepsiCo	1.5%	2	1	—	5%
PBNA	2 %	—	—	—	2.5 %

Net Revenue Growth Reconciliation	36 Weeks Ended 9/7/2019			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	
PepsiCo	3%	2	(1)	5%

Net Revenue Growth Reconciliation	36 Weeks Ended 9/8/2018				
	Reported % Change, GAAP Measure	Impact of			Organic % Change, Non-GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	Sales and certain other taxes ^(a)	
PepsiCo	3%	—	1	—	3%

Net Revenue Growth Reconciliation	12 Weeks Ended 6/15/2019			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	
PBNA	2.5%	—	(0.5)	2%

(a) Represents the impact of the exclusion from net revenue of prior year sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions that were not already excluded based on the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance.

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

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12 Weeks Ended 9/7/2019

Net Revenue Growth Reconciliations	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non- GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	
Latin America				
Mexico	DD %	— %	— %	DD %
Colombia	(MSD) %	DD %	— %	HSD %
Europe Sub-Saharan Africa				
Turkey	HSD %	DD %	— %	DD %
Poland	LSD %	LSD %	— %	HSD %
Asia, Middle East and North Africa				
China	MSD %	MSD %	— %	DD %
Saudi Arabia	MSD %	— %	MSD %	DD %
India	(DD) %	LSD %	DD %	HSD %
Egypt	DD %	(HSD) %	— %	HSD %
Pakistan	(DD) %	DD %	— %	DD %

Net Cash Provided by Operating Activities Reconciliation (in billions)

	2019 Guidance
Net cash provided by operating activities	\$ ~ 9
Net capital spending	~ (4.5)
Free cash flow	\$ ~ 5

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