

PepsiCo, Inc. and Subsidiaries Q1 2022 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; 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. Prior to the fourth quarter of 2021, 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:

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 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Q1 2022 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 25, 2021. 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 merger and integration charges and costs associated with divestitures. Merger and integration charges include changes in fair value of contingent consideration, employee-related costs, contract termination costs and other integration costs. 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 approximately \$3.5 billion in cash and a 39% noncontrolling interest in a newly formed joint venture operating 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.

¹ For a full discussion of our first quarter 2022 financial results, including definitions we use in discussing our financial results, please refer to our first quarter 2022 earnings release and our quarterly report on Form 10-Q for the fiscal quarter ended March 19, 2022 (Q1 2022 Form 10-Q) both available at [pepsico.com/investors](https://www.pepsico.com/investors).

Russia-Ukraine conflict charges: In connection with the deadly conflict in Ukraine, we recognized charges related to property, plant and equipment impairment, allowance for expected credit losses, inventory write-downs and other costs.

Brand portfolio impairment charges: We recognized asset impairment charges as a result of management's decision to discontinue or reposition certain brands.

Pension and retiree medical-related impact: Pension and retiree medical-related impact 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 or resulting from the Juice Transaction.

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 Tax Cuts and Jobs Act (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, divestitures and other structural changes, and where applicable, the impact of an additional week of results every five or six years (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.

2022 guidance: Our 2022 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes, the impact of the 53rd reporting week and foreign exchange translation. Our 2022 core effective tax rate guidance and 2022 core constant currency 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 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 organic revenue growth to our full year projected 2022 reported net revenue growth because we are unable to predict the 2022 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 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.

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Net Revenue Growth Reconciliation

	12 Weeks Ended 3/19/2022			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure ^(a)
		Foreign exchange translation	Acquisitions and divestitures	
PepsiCo	9 %	1	3	14 %
North America	10 %	—	4	13 %
International	9 %	4	1	15 %
Global convenient foods	12 %	2	0.5	14 %
Global beverages	6 %	1	6	13 %
Frito-Lay North America (FLNA)	14 %	—	—	14 %
Quaker Foods North America (QFNA)	11 %	—	—	11 %
PBNA	5.5 %	—	7	13 %
Developing and emerging markets	13 %	4	1	18 %
International convenient foods	10 %	4	1	15 %
International beverages	6 %	5	2	13 %
Latin America:				
Brazil	DD %	—	—	DD %
Mexico	DD %	LSD	LSD	DD %
Europe:				
Turkey	(DD) %	DD	—	DD %
Africa, Middle East and South Asia:				
Egypt	DD %	—	(HSD)	DD %
India	DD %	LSD	—	DD %
South Africa	(MSD) %	LSD	DD	MSD %
Asia Pacific, Australia and New Zealand and China Region:				
China	HSD %	(LSD)	LSD	MSD %

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

Operating Profit Growth Reconciliation

	12 Weeks Ended 3/19/2022							Core % Change, Non- GAAP Measure ^(a)
	Reported % Change, GAAP Measure	Mark-to- market net impact	Restructuring and impairment charges	Acquisition and divestiture- related charges	Gain associated with the Juice Transaction	Russia- Ukraine conflict charges	Brand portfolio impairment charges	
PepsiCo	128 %	(2)	—	3	(144)	10	10	6 %
FLNA	4.5 %	—	(1)	—	—	—	—	3 %
QFNA	6 %	—	—	—	—	—	—	6 %
PBNA	839 %	—	(1)	10	(827)	—	—	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.

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Gross Profit Growth Reconciliation

	12 Weeks Ended 3/19/2022
Reported gross profit growth, GAAP measure	8 %
Impact of:	
Mark-to-market net impact	—
Restructuring and impairment charges	—
Russia-Ukraine conflict charges	2
Core gross profit growth, Non-GAAP measure ^(a)	9 %

Gross Margin Performance Reconciliation

	12 Weeks Ended 3/19/2022
Reported gross margin performance, GAAP measure	(87) bps
Impact of:	
Mark-to-market net impact	4
Restructuring and impairment charges	2
Russia-Ukraine conflict charges	87
Core gross margin performance, Non-GAAP measure ^(a)	5 bps

PBNA Operating Margin Growth Reconciliation

	12 Weeks Ended 3/19/2022
Reported operating margin growth, GAAP measure	5,695 bps
Impact of:	
Restructuring and impairment charges	(4)
Acquisition and divestiture-related charges	66
Gain associated with the Juice Transaction	(5,649)
Core operating margin growth, Non-GAAP measure ^(a)	108 bps

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Q1 2022 Diluted EPS Growth Reconciliation

	12 Weeks Ended 3/19/2022
Reported diluted EPS growth, GAAP measure	148 %
Impact of:	
Mark-to-market net impact	(2)
Restructuring and impairment charges	(1)
Acquisition and divestiture-related charges	3
Gain associated with the Juice Transaction	(167)
Russia-Ukraine conflict charges	14
Brand portfolio impairment charges	11
Pension and retiree medical-related impact	(1)
Core diluted EPS growth, Non-GAAP measure ^(a)	6 %
Impact of foreign exchange translation	1
Core constant currency diluted EPS growth, Non-GAAP measure ^(a)	7 %

2021 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

^(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.