

PepsiCo, Inc. Presentation to Consumer Analyst Group of New York (February 23, 2022)
Reconciliation of GAAP and Non-GAAP Information (unaudited)

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, division operating profit, 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. Prior to 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, which may not be the same as or comparable to similar measures presented by other companies:

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 2016 financial results and 2022 forecast. 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. in our Africa, Middle East and South Asia (AMESA) division and Hangzhou Haomusi Food Co., Ltd. in our Asia Pacific, Australia and New Zealand and China Region (APAC) 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. Our 2018 organic revenue growth adjusts for 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. Our 2016 organic revenue growth also adjusts for the impact of deconsolidating Venezuela in 2015. 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. Average organic revenue growth rate is the average of organic revenue growth rates for the periods presented.

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 periods presented, refer to “Items Affecting Comparability” in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Reports on Form 10-K for the fiscal years ended December 25, 2021, December 26, 2020, December 28, 2019, December 29, 2018, December 30, 2017 and December 31, 2016. 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, and the multi-year productivity plan publicly announced in 2014, as applicable.

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, purchases of group annuity contracts, and one-time lump sum payments to certain former employees who had vested benefits, as well as curtailment gains related to plan changes.

Charges related to cash tender and exchange offers: As a result of the cash tender and exchange offers, we recorded charges 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.

Net tax related to the Tax Cuts and Jobs (TCJ) Act: During the fourth quarter of 2017, the TCJ Act was enacted in the United States. In periods subsequent to the enactment of the TCJ Act, we recognized certain tax benefits and/or expenses associated therewith.

Other net tax benefits: In 2018, other net tax benefits of \$4.3 billion related to the reorganization of our international operations. Also, in 2018, non-cash tax benefits of \$717 million associated with both the conclusion of certain international tax audits and our agreement with the Internal Revenue Service resolving all open matters related to the audits of taxable years 2012 and 2013.

Charge related to debt redemption: In 2016, interest expense primarily representing the premium paid in accordance with the “make-whole” redemption provisions to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of \$1.5 billion and \$750 million, respectively.

Charge related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi): In 2016, an impairment charge of \$373 million to reduce the value of our 5% indirect equity interest in KSF Beverage Holding Co., Ltd. to its estimated fair value.

Division operating profit: The aggregation of the operating profit for each of our reportable segments, which excludes the impact of corporate unallocated expenses.

Long-term financial performance targets

Our long-term organic revenue growth target excludes the impact of acquisitions and divestitures, the impact of the 53rd reporting week, where applicable, and foreign exchange translation. Our long-term core constant currency earnings per share (EPS) growth target and our long-term core operating margin expansion target exclude the mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our long-term core constant currency EPS growth target also excludes the impact of foreign exchange translation. We are unable to reconcile our long-term organic revenue growth to our long-term reported net revenue growth because we are unable to predict the 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 long-term core constant currency EPS growth to our long-term reported EPS growth or our long-term core operating margin expansion to our long-term reported operating margin expansion because we are unable to predict the long-term 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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Operating Profit Reconciliation

	Year Ended 12/25/2021						
	Impact of Items Affecting Comparability						
	Reported, GAAP Measure	% of Reported division operating profit	Mark-to- market net impact	Restructuring and impairment charges	Acquisition and divestiture- related charges	Core, Non- GAAP Measure ^(a)	% of Core division operating profit
Frito-Lay North America (FLNA)	\$ 5,633	44	—	\$ 28	\$ 2	\$ 5,663	43
Quaker Foods North America	578	4	—	—	—	578	4
PepsiCo Beverages North America (PBNA)	2,442	19	—	20	11	2,473	19
Latin America	1,369	11	—	37	—	1,406	11
Europe	1,292	10	—	81	8	1,381	11
AMESA	858	7	—	15	10	883	7
APAC	673	5	—	7	4	684	5
Division operating profit	12,845		—	188	35	13,068	
Corporate unallocated expenses	(1,683)		19	49	(39)	(1,654)	
Operating profit	\$ 11,162		\$ 19	\$ 237	\$ (4)	\$ 11,414	

PepsiCo Net Revenue Growth Reconciliation

	Year Ended						
	12/25/2021	12/26/2020	12/28/2019	12/29/2018	12/30/2017	12/31/2016	
Reported net revenue growth, GAAP measure	13 %	5 %	4 %	2 %	1 %	— %	
Impact of:							
Foreign exchange translation	(1)	2	2	1	—	3	
Acquisitions and divestitures	(2)	(3)	(1)	1	—	—	
53rd reporting week	—	—	—	—	1	(1)	
Sales and certain other taxes	—	—	—	—	—	—	
Venezuela deconsolidation	—	—	—	—	—	2	
Organic revenue growth, Non-GAAP measure ^(a)	10 %	4 %	4.5 %	4 %	2 %	4 %	
Two-year reported net revenue growth average, GAAP measure	9 %	4 %	3 %	1.5 %	— %		
Two-year organic revenue growth average, Non-GAAP measure ^(a)	7 %	4 %	4 %	3 %	3 %		

North America Net Revenue Growth Reconciliation

	Year Ended							
	3-Year Avg	12/25/2021	12/26/2020	12/28/2019	3-Year Avg	12/29/2018	12/30/2017	12/31/2016
Reported net revenue growth, GAAP measure	6 %	10 %	5 %	3.5 %	2 %	2 %	(0.5)%	4 %
Impact of:								
Foreign exchange translation		(0.5)	—	—		—	—	—
Acquisitions and divestitures		(1)	(1)	—		—	(1)	—
53rd reporting week		—	—	—		—	2	(2)
Sales and certain other taxes		—	—	—		—	—	—
Organic revenue growth, Non-GAAP measure ^(a)	5 %	8 %	4 %	3 %	1.5 %	1.5 %	— %	2 %

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

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

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International Net Revenue Growth Reconciliation

	3-Year Avg	Year Ended						
		12/25/2021	12/26/2020	12/28/2019	3-Year Avg	12/29/2018	12/30/2017	12/31/2016
Reported net revenue growth, GAAP measure	9 %	18 %	4 %	4 %	— %	2 %	4 %	(7)%
Impact of:								
Foreign exchange translation		(2)	5	4		3	1	8
Acquisitions and divestitures		(5)	(5)	(2)		2	—	—
53rd reporting week		—	—	—		—	—	—
Sales and certain other taxes		—	—	—		—	—	—
Venezuela deconsolidation		—	—	—		—	—	4.5
Organic revenue growth, Non-GAAP measure ^(a)	7 %	<u>11 %</u>	<u>4.5 %</u>	<u>7 %</u>	6 %	<u>7 %</u>	<u>5 %</u>	<u>6 %</u>

Global Convenient Foods Net Revenue Growth Reconciliation

	3-Year Avg	Year Ended						
		12/25/2021	12/26/2020	12/28/2019	3-Year Avg	12/29/2018	12/30/2017	12/31/2016
Reported net revenue growth, GAAP measure	8 %	13 %	6 %	4 %	2 %	3 %	3 %	(2)%
Impact of:								
Foreign exchange translation		(2)	3	2		1.5	—	4.5
Acquisitions and divestitures		(3)	(4)	—		—	—	—
53rd reporting week		—	—	—		—	1	(1)
Sales and certain other taxes		—	—	—		—	—	—
Venezuela deconsolidation		—	—	—		—	—	3
Organic revenue growth, Non-GAAP measure ^(a)	7 %	<u>8 %</u>	<u>6 %</u>	<u>6 %</u>	5 %	<u>5 %</u>	<u>5 %</u>	<u>5 %</u>

Global Beverages Net Revenue Growth Reconciliation

	3-Year Avg	Year Ended						
		12/25/2021	12/26/2020	12/28/2019	3-Year Avg	12/29/2018	12/30/2017	12/31/2016
Reported net revenue growth, GAAP measure	7 %	13 %	3 %	4 %	— %	— %	(1)%	1 %
Impact of:								
Foreign exchange translation		(1)	1	1		1	—	2
Acquisitions and divestitures		(1.5)	(1)	(2)		2	(1)	—
53rd reporting week		—	—	—		—	1	(1)
Sales and certain other taxes		—	—	—		—	—	—
Venezuela deconsolidation		—	—	—		—	—	0.5
Organic revenue growth, Non-GAAP measure ^(a)	5 %	<u>11 %</u>	<u>2.5 %</u>	<u>3 %</u>	2 %	<u>2.5 %</u>	<u>— %</u>	<u>3 %</u>

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

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PBNA Net Revenue Growth Reconciliation

	3-Year Avg	Year Ended						
		12/25/2021	12/26/2020	12/28/2019	3-Year Avg	12/29/2018	12/30/2017	12/31/2016
Reported net revenue growth, GAAP measure	6 %	12 %	4 %	3 %	1 %	1 %	(2)%	3 %
Impact of:								
Foreign exchange translation		(0.5)	—	—		—	—	—
Acquisitions and divestitures		(1)	(2)	(1)		—	(1)	—
53rd reporting week		—	—	—		—	1	(1.5)
Sales and certain other taxes		—	—	—		—	—	—
Organic revenue growth, Non-GAAP measure ^(a)	5 %	<u>10 %</u>	<u>2 %</u>	<u>3 %</u>	— %	<u>0.5 %</u>	<u>(2)%</u>	<u>2 %</u>

FLNA Net Revenue Growth Reconciliation

	3-Year Avg	Year Ended						
		12/25/2021	12/26/2020	12/28/2019	3-Year Avg	12/29/2018	12/30/2017	12/31/2016
Reported net revenue growth, GAAP measure	6 %	8 %	7 %	4.5 %	3 %	3.5 %	2 %	5 %
Impact of:								
Foreign exchange translation		(0.5)	—	—		—	—	—
Acquisitions and divestitures		—	(1)	—		—	—	—
53rd reporting week		—	—	—		—	2	(2)
Organic revenue growth, Non-GAAP measure ^(a)	6 %	<u>7 %</u>	<u>6 %</u>	<u>4.5 %</u>	3 %	<u>3 %</u>	<u>3 %</u>	<u>3.5 %</u>

Developing and Emerging Markets Net Revenue Growth Reconciliation

	3-Year Avg	Year Ended						
		12/25/2021	12/26/2020	12/28/2019	3-Year Avg	12/29/2018	12/30/2017	12/31/2016
Reported net revenue growth, GAAP measure	9 %	23 %	2 %	2 %	(1)%	1 %	5 %	(8)%
Impact of:								
Foreign exchange translation		(1)	8	4		5	1.5	9
Acquisitions and divestitures		(7)	(6)	2		3	—	—
Sales and certain other taxes		—	—	—		—	—	—
Venezuela deconsolidation		—	—	—		—	—	6
Organic revenue growth, Non-GAAP measure ^(a)	9 %	<u>15 %</u>	<u>3.5 %</u>	<u>8 %</u>	7 %	<u>8 %</u>	<u>7 %</u>	<u>7 %</u>

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

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Diluted EPS Growth Reconciliation

	Year Ended				
	12/25/2021	12/26/2020	12/28/2019	12/29/2018	12/30/2017
Reported diluted EPS growth, GAAP measure	7 %	(2)%	(41)%	160 %	(23)%
Impact of:					
Mark-to-market net impact	1	—	(2)	3	2
Restructuring and impairment charges	—	(1)	—	1	1.5
Acquisition and divestiture-related charges ^(b)	(3)	3	—	2	—
Pension and retiree medical-related impact	(2)	(1)	2	—	(2.5)
Charges related to cash tender offers and exchange offers	8	—	(1.5)	4	—
Net tax related to the TCJ Act	2	—	—	(53)	38
Other net tax benefits	—	—	40	(108)	—
Charge related to debt redemption	—	—	—	—	(2)
Charge related to the transaction with Tingyi	—	—	—	—	(6)
Core diluted EPS growth, Non-GAAP measure ^(a)	13 %	— %	(2)%	8 %	8 %
Impact of foreign exchange translation	(1.5)	2	1	1	1
Core constant currency diluted EPS growth, Non-GAAP measure ^(a)	12 %	2 %	(1)%	9 %	9 %

^(a) A financial measure that is not in accordance with GAAP. See pages 1-3 for further discussion on non-GAAP measures.

^(b) In 2021, acquisition and divestiture-related charges primarily related to the acceleration payment made in 2021 under the contingent consideration arrangement associated with our acquisition of Rockstar Energy Beverages, as well as a tax benefit related to contributions to socioeconomic programs in South Africa, partially offset by other acquisition and divestiture-related charges.