Fourth Quarter/Full Year 2020 Prepared

Management Remarks

February 11, 2021

Company Participants

Ramon L. Laguarta, Chairman and Chief Executive Officer

Hugh F. Johnston, Vice Chairman and Chief Financial Officer

Ravi Pamnani, Senior Vice President, Investor Relations

Please view these remarks in conjunction with our Q4 2020 earnings release, 2020 Form 10-K and GAAP/non-GAAP reconciliations that can be found on our website at www.pepsico.com under the Investors section, or via the following link:

Good day everyone and thank you for your time and interest in reviewing PepsiCo’s fourth quarter and full-year 2020 earnings results. Included below are prepared remarks from PepsiCo’s Chairman and CEO Ramon Laguarta and PepsiCo’s Vice Chairman and CFO Hugh Johnston.

Please take note of our cautionary statement. These prepared remarks contain forward-looking statements, including about our business plans and 2021 guidance and long-term financial targets and the potential impact of the COVID-19 pandemic on our business. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, February 11, 2021, and we are under no obligation to update. When discussing our results, we refer to non-GAAP measures, which exclude certain items from reported results.

Please refer to our Q4 2020 earnings release and 2020 10-K,
available on pepsico.com, for definitions and reconciliations of non-GAAP measures and additional information regarding our results, including a discussion of factors that could cause actual results to materially differ from forward-looking statements.

As a reminder, our fiscal year ends on the last Saturday of December and our financial results in the United States and Canada, or North America, are reported on a 16-week basis while substantially all of our international operations report on a monthly calendar basis for which the months of September, October, November and December are reflected in our results for the 16 weeks ended December 26, 2020.
Thank you, Ravi, and good morning everyone.

Today, I will spend time discussing our fourth-quarter and full-year 2020 business performance, providing an update on our Faster, Stronger and Better priorities, and end with some comments on our outlook for 2021. I will then turn it over to Hugh for additional perspectives on our results and outlook.

Before I begin with my business review, I would like to note that 2020 was an unprecedented year defined by global uncertainty and macroeconomic volatility due to the complexities associated with the ongoing COVID-19 pandemic.

Despite all the complexities, I am very pleased with our business performance and the unwavering dedication and resilience of our employees’ ability to execute in the marketplace.

I would like to thank our employees for their efforts as they have been nothing but exemplary. As we look forward to the new
year, we will continue to follow our guiding principles to build an even stronger, leaner and more agile company by:

- Ensuring the safety of our employees;
- Servicing the needs of our customers, consumers and communities; and
- Acting like owners and continuing to implement the principles of ‘The PepsiCo Way’.

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Now, with respect to our business performance, our organic revenue growth accelerated to 5.7 percent in the fourth quarter and we delivered 4.3 percent organic revenue growth for the full year.

Our global snacks and food business remained resilient throughout most of the year and our global beverage business accelerated and delivered a notable improvement in organic revenue growth during the fourth quarter.
Specifically, in the fourth quarter:

- Our global snacks and food business delivered 5 percent organic revenue growth, while our global beverage business’s organic revenue growth accelerated to 6 percent.

- Geographically, our organic revenue in North America increased 5 percent as our business continued to benefit from elevated at-home consumption trends while our International business’s organic revenue growth accelerated to 6 percent;

- Our core constant currency operating profit increased 6 percent despite more than $100 million in COVID-19 related costs; and

- Our core constant currency EPS increased 3 percent.
Beginning with North America snacks and food, both Frito-Lay and Quaker Foods delivered solid growth as at-home consumption trends remained strong.

**Frito-Lay North America** delivered 5 percent organic revenue growth for the quarter and 6 percent organic revenue growth for the full year. Marketplace performance in the fourth quarter was particularly strong, as reflected in meaningful market share gains in the macro-snack, savory and salty categories.

And our strong relationships with our retail partners were confirmed by the results of the Advantage Survey where Frito-Lay was again ranked the #1 supplier in the U.S. by retailers.

Frito-Lay’s full-year 2020 results were enabled by strong innovation, increased go-to-market investments, additional manufacturing capacity, investments in eCommerce and an increase in advertising and marketing spend across the brand.
portfolio.

As a result, many of Frito’s big brands delivered strong net revenue growth for the full year with Tostitos and Cheetos delivering double-digit growth, Ruffles delivering high-single digit growth, while Lays and Doritos delivered mid-single digit growth. Smaller, emerging brands such as Off The Eaten Path and Bare delivered strong double-digit growth. Furthermore, we successfully completed the acquisition and integration of BFY Brands in 2020, which has expanded Frito-Lay's production capabilities to offer more nutritious snacking choices for consumers.

The breadth of Frito’s growth spanned across the large format and eCommerce channels, while sequential trends improved in the convenience and gas channel as consumer mobility began to recover.
Frito’s core constant currency operating profit increased 1 percent in the quarter and 3 percent for the full year despite absorbing significant COVID-19 related costs while also continuing to make critical investments in its brands, go-to-market systems, supply chain and digitization initiatives.

**Quaker Foods North America** delivered 8 percent and 11 percent organic revenue growth in the quarter and full year, respectively.

Quaker’s growth has been driven by strong execution against the elevated demand needs for at-home breakfast and dinner occasions during 2020 and our business gained market share for the full year.

Quaker’s fourth quarter and full-year performance included strong double-digit net revenue growth in pancake mixes and syrup, lite snacks, and side dishes. Quaker’s hot and ready-to-eat cereal business also delivered double-digit net revenue growth for the full year.
Quaker’s strong net revenue growth and holistic cost management initiatives resulted in strong core operating margin expansion and double-digit core constant currency operating profit growth for both the quarter and full year.

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Turning to PepsiCo Beverages North America, our business accelerated and delivered 5.5 percent organic revenue growth and 21 percent core constant currency operating profit growth and was the #1 growth contributor in the LRB category in the fourth quarter.

PBNA’s net revenue growth was primarily driven by many of its larger brands, despite notable impacts from channel mix shifts that have significantly impacted the foodservice channel.

Most notably, net revenue for brands such as bubly and Starbucks grew double-digits, Gatorade grew high-single digits,
while Lipton, Mountain Dew and Tropicana also delivered growth for the full year.

Simultaneously, we were able to sustain good momentum on recent innovation platforms with Gatorade Zero exceeding $1 billion in estimated retail sales in 2020, while bubly, Pepsi Zero Sugar and Mountain Dew Zero Sugar cumulatively delivered more than $750 million in estimated retail sales during 2020.

From a channel mix perspective, performance within the large format and eCommerce channels remained robust throughout the year while the convenience and gas channel also posted good growth for the full year. However, given ongoing pandemic related restrictions and complexities, the foodservice channel has continued to decline at a double-digit rate.

Our market share trends within the category improved as the year progressed and we gained market share in total juices and juice drinks, ready-to-drink tea and coffee, and sparkling water categories within the fourth quarter.
We also expanded further into the energy category this past year and have exciting innovation and brand communication plans in place with the objective of improving our performance and market share trends in this growing and highly profitable category.

For example, we recently relaunched Rockstar with refreshed packaging and graphics and expect to have additional innovation plans in place to improve our presence in this category.

I remain encouraged about the potential for our PepsiCo Beverages North America business and believe we have the right people, strategy and portfolio in place to deliver a better balance between growth and profitability over the long-term.

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Moving on to our international business, many of our markets continue to face vastly different pandemic related impacts and...
uneven economic recoveries. Despite these challenges, our international business’s organic revenue growth accelerated to 6 percent in the fourth quarter.

This acceleration in organic revenue growth during the fourth quarter was bolstered by mid-single digit growth in both our international developed markets and developing and emerging markets.

Our fourth quarter international growth featured double-digit organic revenue growth in Brazil, high-single digit growth in China, India, Australia and Germany, and mid-single digit growth in the U.K. and Russia.

Categorically, our international beverage’s business accelerated in the fourth quarter and delivered 7 percent organic revenue growth despite ongoing pandemic related closures and restrictions. Our international snacks business remained resilient all year and finished the year strong with 5 percent organic revenue growth in the fourth quarter.
Our business momentum helped us gain savory share in many of our key snack markets, including Mexico, Brazil, China and Russia, and for beverages, we gained share in China, India, the U.K., Germany, Egypt and Thailand within the year.

Lastly, our SodaStream business delivered strong double-digit net revenue growth in the quarter and for the full year as elevated at-home consumption translated into higher demand for our at-home beverage system.

We also announced the launch of bubly drops which provide consumers another sustainable way of enjoying their favorite flavors of sparkling water at home.

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To summarize, I am very pleased with our overall business performance and marketplace execution. Our results give me confidence that our strategic priorities are working. We remain
committed to our ‘Faster, Stronger, and Better’ framework and continue to work towards driving future success.

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While our ‘Faster, Stronger, and Better’ framework is still largely centered around the same core principles as 2020, we have set clear priorities on how we plan to execute against these principles in 2021.

We will become **Faster** by strengthening our focus on winning in the marketplace and improving market share by prioritizing:

- Opportunities in our Top 20 snack markets as well as select beverage markets;
- Expanding our presence and accelerating our efforts within the eCommerce channel, as our net revenue increased more than 90 percent in this channel in 2020;
- Extending our Beyond the Bottle strategy by offering consumers more choice and innovative products through
our SodaStream platform; and
• Dedicating greater resources and focus on driving more meaningful innovation in higher growth sub-categories such as nutritious snacks and low-or-zero calorie and sugar beverages with both our large and smaller, emerging brands.

To become **Stronger**, we will continue to transform our cost structure, capabilities, and culture. This includes:

• Sharpening our holistic cost management initiatives by further dissecting our cost base and encouraging our businesses to rethink and resize their budgets with more of a zero-based approach;
• Expanding our Global Business Services platform into new capabilities, which will enable better insight and support for our businesses at a much lower cost;
• Accelerating our digital transformation capabilities across the organization with a focus on consumer-centric analytics that can provide advantaged market insights; and
• Investing in our people and talent development strategies
to cultivate the next generation of leaders at PepsiCo.

And when we say Better, we’re focused on further integrating
purpose into our business strategy and brands to become
PepsiCo positive, delivering better outcomes for people and the
planet, whilst enabling us to be a faster-growing and more
resilient company.

That includes helping to build a more sustainable food system,
strengthening our communities, and advancing social equity. For
example, we are:

• Supporting practices and technologies for growing crops
  and ingredients in ways that regenerate the earth and
  strengthen farming communities, from improving soil
  health and biodiversity to empowering more women
  farmers;

• Forging a more resilient value chain by making products in
  a way that builds a circular, inclusive, fair economy which
includes:

- Doubling our science-based climate goal to reduce absolute greenhouse gas emissions by targeting net-zero emissions by 2040, as well as our ongoing efforts to use water more efficiently and replenish it locally;
- Reducing the amount of virgin plastic in our packaging, scaling up new circular business models, and leading the development of renewable packaging;
- Offering our associates tools to maximize their personal growth and make a positive impact on society and advancing our Racial Equality Journey by promoting diversity and inclusion within our company, our supply chain partners, and our communities; and

- Leveraging the power of purpose-led brands to inspire people to make choices that create more smiles for them and the planet, which include:
  - Efforts to expand our product offerings with less added sugars, sodium, and saturated fats; and
  - Driving positive environmental and societal actions in
our communities.

Now, I’ll briefly touch on our outlook for 2021, where we expect our organic revenue and core constant currency EPS growth to be consistent with our long-term targets of mid-single digit organic revenue growth and high-single digit core constant currency EPS growth.

We expect changes in consumer behavior driven by the COVID-19 pandemic to continue to vary across different markets and channels around the world. Broadly speaking, we assume that vaccination efforts will accelerate and that population mobility trends will gradually improve as consumers return to certain pre-pandemic behaviors by the second half of this year.

We are also assuming that certain pandemic-related behavioral shifts will sustain, such as greater online adoption and penetration, more remote work arrangements and continued strength in household penetration for large, trusted brands.
As a result, we expect our global snacks and foods business to remain relatively resilient this year, while our global beverages business will look to build on its recent momentum and strength.

To conclude, we are encouraged by our performance and believe we have the right priorities in place to deliver sustainable growth over the long-term with:

- Large, well-known brands in growing categories that consumers love and trust;
- An agile supply chain with strong local sourcing networks;
- A flexible and advantaged direct store delivery go-to-market system; and
- A highly experienced set of decentralized global business leaders who are empowered to make nimble decisions to meet the needs of their local businesses.

Thank you for your time and attention and I will now turn it over to Hugh Johnston, our Vice Chairman and Chief Financial Officer.
Thank you, Ramon. And good morning, everyone.

As Ramon mentioned, our business performed very well in the fourth quarter and we ended the year strong with 4.3 percent organic revenue growth.

From a margin perspective, our core gross margin declined (50) basis points which led to a core operating margin decline of (80) basis points in the year.

The year-over-year margin decline was primarily driven by our recent international acquisitions as well as almost $800 million worth of COVID-19 related costs. When excluding the COVID-19 related costs, our core operating margin increased approximately 30 basis points for the year.

We expect a portion of the COVID-19 related costs to continue
as we are committed to maintaining the safety and support of our employees and customers.

We will also continue to invest and execute against the Faster, Stronger, and Better priorities Ramon laid out today. These investments will span across our supply chain and go-to-market network and include an acceleration of our digitization initiative and sustainability agenda.

At the same time, we will also look towards using more analytics to sharpen our revenue management initiatives and increase our holistic cost management efforts in order to help offset some of these investments and incremental costs. For example, we plan on:

- Optimizing our advertising and marketing spend;
- Simplifying our portfolio of product offerings; and
- Expanding our global business services platform to maximize labor efficiencies.
Therefore, for 2021, we expect:

- Mid-single digit organic revenue growth;
- High-single digit core constant currency EPS growth;
- A core annual effective tax rate of approximately 21 percent; and
- Total cash returns to shareholders of approximately $5.9 billion comprised of approximately $5.8 billion in the form of dividends and share repurchases of approximately $100 million.
- We have recently completed our share repurchase activity and do not expect to repurchase any additional shares for the balance of this year.

Based on current market consensus rates, we expect foreign exchange translation to benefit our net revenue and core earnings per share performance by approximately 1 percentage point.
As it relates to our capital allocation priorities for this year, we will first prioritize capital expenditures to meet the critical growth and investment needs of our business, including:

- Suitable investments for growth, which include plants, manufacturing lines, warehouses and go-to-market system investments across our entire business. Most of these growth investments will center around building out the presence and capabilities of our global snacks business in both developed and developing and emerging markets to meet future demand needs. The remainder will focus on strengthening and modernizing our beverages business in key markets to enhance our competitive presence and execution capabilities;

- Investments that will drive future productivity such as automating and digitizing processes across our value chain and modernizing our IT systems; and

- Investments that will better serve the communities in which we operate by investing in sites that are designed to drive sustainability benefits at inception.
Next, we will prioritize returning cash to our shareholders by paying and growing our dividend. We announced a 5 percent increase annualized dividend per share, effective with the expected June 2021 payment. This will represent PepsiCo’s 49th consecutive annual dividend per share increase.

With respect to acquisitions and share repurchase activity, we remain very pleased with the composition of our portfolio and will primarily focus on maximizing the growth and return potential from recent acquisitions and do not plan on repurchasing any additional shares for the balance of this year.

As a result, we believe we will have ample flexibility to support the needs of the business, maintain our liquidity and balance sheet profile, and return ample cash to shareholders, primarily in the form of dividends.

Finally, as you build your quarterly models for this fiscal year, I'd like to highlight the following as it relates to the first quarter of
2021:

- We expect low-single digit organic revenue growth, as we are lapping approximately 8 percent organic revenue growth from first quarter of 2020, which included a surge in customer and consumer demand due to the onset of the COVID-19 pandemic; and
- We expect our core operating margin to decline due to the ongoing mix impacts of prior year international acquisition activity and certain ongoing COVID-19 related costs. We expect these margin impacts to moderate as the year progresses.

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This concludes our prepared remarks for today. We thank you for your time and the confidence you’ve placed in us with your investment. We invite you to listen to our live question and answer webcast, which will begin today at 8:15 a.m. Eastern Time and will be available on pepsico.com.