First Quarter 2025
Prepared Management Remarks
April 24, 2025

Please view these remarks in conjunction with our Q1 2025 earnings release, Q1 2025 Form 10-Q 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:
https://www.pepsico.com/investors/financial-information/quarterly-earnings

We also invite you to listen to our live question and answer webcast with Ramon Laguarta (Chairman and Chief Executive Officer) and Jamie Caulfield (Executive Vice President and Chief Financial Officer), which will begin today at 8:15 a.m. Eastern Time and will also be available on www.pepsico.com.

Cautionary Statement

These prepared remarks contain forward-looking statements, including about our business plans and 2025 guidance. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, April 24, 2025, 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 Q1 2025 earnings release and Q1 2025 Form 10-Q, 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, while our financial results in the United States and Canada (North America) are reported on a 12-week basis, all of our international operations report on a monthly calendar basis for which the months of January and February are reflected in our results for the 12 weeks ended March 22, 2025.

Reportable Segment Realignment

As disclosed in our 2024 Form 10-K, effective beginning with our first quarter of 2025, we realigned certain of our reportable segments to conform with changes to our organizational structure and how the Chief Executive Officer regularly reviews the performance of, and allocates resources to, these segments.

In North America, our convenient food businesses, Frito-Lay and Quaker Foods, are now reported together as PepsiCo Foods North America. These changes do not impact our PepsiCo Beverages North America segment.

For our International business, our International Beverages Franchise business is a new, separate reportable segment. As a result, our international convenient food businesses have been reorganized into three reportable segments: Latin America Foods; Europe, Middle East and Africa (EMEA); and Asia Pacific Foods.

Asia Pacific Foods includes our convenient food businesses in Asia Pacific, primarily China, Australia and New Zealand, as well as India. Company-owned international bottling businesses are now included within our EMEA segment.

The recast historical segment reporting can be found in our first-quarter 2025 earnings release and Form 10-Q – which is also available on pepsico.com.

Chairman and CEO and Executive Vice President and CFO Commentary

PepsiCo remained resilient in an increasingly dynamic and complex geopolitical and macroeconomic environment.

Our first quarter results featured strong core operating margin expansion from our PepsiCo Beverages North America segment, continued strength in organic revenue growth for our International business and some improvements in business performance within our PepsiCo Foods North America business following the disruptive impacts of a product recall in the previous year.

Specifically, for the first quarter of 2025:

- PepsiCo delivered 1.2 percent organic revenue growth, led by 5 percent organic revenue growth in our International business. As a reminder, our first quarter only captures the months of January and February for our International business but includes 12 weeks for our North America business. When adding the month of March for our International business, PepsiCo's organic revenue growth was approximately 2 percent.
- Our PepsiCo Beverages North America organic revenue trends improved versus the previous quarter, and the segment delivered strong core operating profit growth and core operating profit margin expansion year-over-year. Within PepsiCo Foods North America, our Quaker product portfolio delivered strong improvement in organic revenue performance.
- PepsiCo's core gross margin improved slightly versus the prior year, while core operating margin declined. Core operating margin was impacted by the planned timing and phasing of certain productivity initiatives which are expected to accelerate as the year progresses.
- Substantial foreign exchange headwinds impacted our reported net revenue and core USD earnings per share performance by 3 and 4 percentage points, respectively.

As we look ahead, we expect a more volatile and uncertain macroeconomic environment, particularly related to global trade developments, which we expect will increase our supply chain costs. At the same time, consumer conditions in many markets remain subdued and similarly have an uncertain outlook.

We are actively planning mitigation actions to address these higher supply chain costs where possible, while at the same time being conscious to minimize disruption to our operations, our consumer and customer relationships, and the long-term health of our business.

We will also continue building upon the successful long-term expansion of our International business, while also taking actions to improve performance in North America. Our multi-year productivity initiatives enabled by automation, standardization, and increased use of digital tools and data analytics, will aid in funding disciplined commercial initiatives, and continued transformation of our product portfolio to stimulate category growth and our marketplace competitiveness.

In this context, for 2025, we continue to expect low-single-digit organic revenue growth but now expect core constant currency EPS to be approximately even with the prior year (previously mid-single-digit growth).

First Quarter North America Segment Review

PepsiCo Beverages North America (PBNA) delivered core profitable growth as the business continued to generate strong, sustainable levels of productivity savings and improvements in marketplace performance. The business continues to sharpen its focus on attractive segments like zero sugar, functional hydration, and sports nutrition—and concentrate resources on fewer, larger-scale initiatives – such as the successful national rollout of Mountain Dew Baja Blast in 2024 and our "Food Goes Better With Pepsi" campaign in 2025.

PBNA's organic revenue increased 1 percent, while core operating profit increased 14 percent and core operating margin improved by 125 basis points. We remain committed to driving profitable growth and improving PBNA's core operating margin over time.

Encouragingly, our Pepsi brand gained market share in the carbonated soft drinks category and delivered solid net revenue growth, led by the continued strength of Pepsi Zero Sugar.

In addition, Gatorade gained market share within the sports drink category, led by Gatorade Zero, while functional hydration offerings such as Propel delivered good net revenue growth. We also continued to expand and grow our presence in foodservice which delivered solid net revenue growth during the quarter.

PepsiCo Foods North America (PFNA) organic revenue declined 2 percent. Our savory snack performance (primarily Frito-Lay) remained subdued, partially offset by other convenient foods (primarily Quaker Foods), which delivered strong organic revenue growth with the business recovering from product recall impacts in the prior year.

Consumers have remained value-conscious across brands and channels as the cumulative impacts of inflationary pressures have strained budgets and altered food shopping patterns. Beyond affordability, bold flavor profiles, permissibility, functionality and portion control are key factors in defining value for consumers.

Our various offerings in each of these consumer-preferred areas performed well with Gamesa, Chester's, Santitas, Baken-Ets, Munchos, Miss Vickie's, Quaker rice cakes and minis-canisters each delivering net revenue growth in the first quarter. Certain Quaker-branded products impacted by the recall in the previous year (such as granola bars and certain cereals) also performed well, aided by increased distribution and in-store presence.

Core operating profit declined 7 percent in the first quarter reflecting fixed cost deleverage and ongoing business investments.

Looking ahead, we remain focused on disciplined commercial initiatives across **North America** that can improve our marketplace performance and stimulate profitable growth. These initiatives include:

- Further sharpening our net revenue management capabilities to drive more productive marketplace investments by brand, package and channel to optimize the consumer value proposition and drive greater purchase frequency and higher household penetration of our offerings;
- Expanding further into under-penetrated consumer opportunities, including permissible, multi-cultural, and functional offerings – which includes scaling brand platforms such as Simply, Siete and Sabra. We also recently announced an agreement to acquire poppi, a fast-growing prebiotic soda brand (pending regulatory approval);
- Extending our consumer reach by expanding our presence in both digital and away-from-home channels;
- Sharpening our consumer engagement and activation activities; and
- Executing with greater precision on in-store placement and availability.

To support these disciplined investments and initiatives, while positioning us to deliver long-term profitable growth, we will continue to elevate and accelerate our productivity initiatives (in addition to our multi-year, corporate wide initiatives) which include:

- Optimizing and right-sizing our supply chain and go-to-market footprint;
- Increasing transportation and logistics efficiencies;
- Tightly managing all operating costs across our value chain;
- Deemphasizing low-margin product and package combinations; and
- Unlocking additional synergies across North America over time by reducing duplication, harmonizing best practices and integrating enabling functions through our updated operating model.

<u>First Quarter International Business Review</u>

Our International business remained resilient and delivered organic revenue growth of 5 percent, the 16th consecutive quarter in which we delivered at least mid-single-digit organic revenue growth. This compares to very strong 9 percent organic revenue growth in the first quarter of 2024.

Our International beverages business performed well and delivered 11 percent organic revenue growth. The growth was driven by performance in China, India, Egypt, Turkey, Mexico, Brazil, the U.K. and Australia. We held or gained share in the U.K., Germany, Poland, Spain, France, Brazil, Australia, South Korea, Pakistan and Vietnam.

Our International convenient foods business delivered 2 percent organic revenue growth. The growth was driven by Brazil, India, Egypt and Turkey. We held or gained savory snack share in China, Brazil, Australia, South Africa, Poland, Spain, France, Belgium, Colombia, Guatemala, Puerto Rico and Thailand.

International core constant currency operating profit increased 4 percent – which compares to 19 percent core constant currency operating profit growth during the first quarter of 2024.

Moving forward, we will continue to take actions to build, scale and expand our international presence, deliver more flavor and texture combinations that address local preferences, adapt our price pack architecture to offer consumers more value and convenience, and elevate our focus on productivity initiatives to help fund investments for growth. And we continue to see a long runway for profitable growth in our nearly $37 billion International business which represented 40% of PepsiCo's 2024 net revenue.

2025 Outlook and Guidance

While our global business trends have remained resilient to date, we do expect the macroeconomic and consumer environment to feature elevated levels of volatility and uncertainty for the balance of 2025. The cumulative effects of inflationary pressures coupled with the dynamic nature of global trade relations will likely keep consumers choiceful and value conscious. Pockets of elevated geopolitical tensions are also expected to persist in certain international markets.

In addition to these factors, we also expect to incur incremental supply chain costs (primarily related to the sourcing of certain global inputs and ingredients and related tariff impacts) for the balance of 2025. We are actively working on mitigation strategies to reduce these incremental costs over time, including driving greater cost savings, adjusting sourcing of key inputs, and sharpening our revenue management tactics. It remains difficult to be more precise at this time given the dynamic nature of global trade relations.

Beyond these factors, we will control what we can and continue to invest appropriately in our business to:

- Accelerate our innovation pipeline to provide consumers with options that meet their nutrition or dietary preferences, while continuing to refresh our iconic brands with new varieties;
- Expand our channel diversification and international presence; and
- Enhance our digital capabilities in areas such as consumer insights, trade promotion management, demand forecasting, and supply planning.

To support our commercial investments, we will continue to elevate and accelerate our multi-year, enterprise-wide productivity programs by:

- Expanding automation at our plants, warehouses, and distribution centers;
- Selectively optimizing our manufacturing, warehousing, and distribution footprint;
- Advancing digitalization across our organization;
- Maximizing efficiency and effectiveness through our Global Capability Centers;
- Standardizing and harmonizing our IT systems; and
- Reducing waste throughout our value chain.

Taking all the above factors into account, for fiscal 2025, we continue to expect low-single-digit organic revenue growth and a core annual effective tax rate of 20 percent.

Core constant currency EPS is now expected to be approximately even with the prior year (previously mid-single-digit growth), reflecting our expectation of higher supply chain costs and the added uncertainty around the macroeconomic environment and the consumer landscape.

Based on current market consensus rates, we continue to expect foreign exchange translation to negatively impact our reported net revenue and core earnings per share by approximately 3 percentage points.

These assumptions and the guidance above now imply an approximately 3 percentage point decline in our 2025 core USD earnings per share (previously low-single-digit core USD EPS increase) versus our 2024 core USD earnings per share of $8.16.

We continue to expect total cash returns to shareholders of approximately $8.6 billion through approximately $7.6 billion in dividends and approximately $1.0 billion in share repurchases. As a reminder, we also recently announced a 5 percent increase to our annualized dividend per share, effective with the June 2025 dividend payment. This will represent PepsiCo's 53rd consecutive annualized dividend per share increase.

To conclude, we believe we have the right people, strategies, and advantaged capabilities to win in the marketplace and make PepsiCo an 'Even Faster, Even Stronger, and Even Better' organization.

Ramon Laguarta
Chairman and Chief Executive Officer

Jamie Caulfield
Executive Vice President and Chief Financial Officer