Second Quarter 2025
Prepared Management Remarks
July 17, 2025

Please view these remarks in conjunction with our Q2 2025 earnings release, Q2 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, July 17, 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 Q2 2025 earnings release and Q2 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, our financial results in the United States and Canada (North America) are reported on a 12-week basis while our international operations report on a monthly calendar basis for which the entire months of March, April and May are reflected in our results for the 12 weeks ended June 14, 2025.

Reportable Segment Realignment

As previously disclosed, 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 separate reportable segment and our international convenient food businesses are 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, including China, Australia and New Zealand, as well as India. Company-owned international bottling businesses are included within our EMEA segment.

The recast historical segment reporting for 2024 can be found in our first-quarter 2025 earnings release and for 2023 can be found in our 8-K filed July 17, 2025 – which are also available on pepsico.com.

Chairman and CEO and Executive Vice President and CFO Commentary

Our business remained resilient during the second quarter, navigating through a complex geopolitical and macroeconomic environment. Second quarter results featured a sequential acceleration in organic revenue growth – which included organic volume growth for our global snack foods – with our international business delivering 6 percent organic revenue growth and core operating margin expansion.

We expect our international business to continue to perform well as we build on the development and success of its global reach and strong competitive positions within attractive and profitable categories.

In North America, despite subdued category demand, we were encouraged to see an improvement in organic volume trends for our convenient foods business as the quarter progressed – with an improvement in our market share trends in key subcategories as we stepped up commercial activities by offering good value to consumers, more-focused innovation activity, and heightened in-market execution.

Our North America beverage business also saw an improvement in organic volume trends versus the previous quarter with good performance in trademark Pepsi – led by the continued strength of Pepsi Zero Sugar – resulting in trademark Pepsi market share gains in the carbonated soft drinks and cola categories.

During the quarter, we took assertive actions to improve the future profit performance of our North America convenient foods business. These included initiatives to sharpen our marketplace execution and competitiveness while also accelerating our cost optimization programs. We expect our innovation and cost optimization activities to accelerate during the remainder of this year, with performance expected to improve as we exit the year.

Separately, we began advancing our agenda to capture incremental operational and administrative synergies by operating as "One North America," and expect the benefits of these actions to accrue starting next year. We will utilize the savings from these initiatives to provide funding to support our innovation plans and competitiveness in the marketplace.

Beyond these incremental actions, our corporate-wide, multi-year productivity initiatives remain in place – enabled by automation, standardization, and increased use of digital tools and data analytics. These initiatives will provide continuous, ongoing support for our necessary operational investments and commercial activities.

We have also identified and evaluated mitigation strategies to partially offset higher supply chain costs (associated with global trade dynamics) and intend to remain agile and thoughtful on how we choose to mitigate the higher costs.

As a result, for fiscal 2025, we remain confident in our ability to deliver low-single-digit organic revenue growth, with core constant currency EPS to be approximately even with the prior year.

Second Quarter North America Segment Review

PepsiCo Beverages North America (PBNA) delivered organic revenue growth and expanded core operating margin in the second quarter. The business continued to generate strong, sustainable levels of productivity savings and improvements in marketplace performance.

Organic revenue increased 1 percent in the second quarter. Organic volume trends improved versus the previous quarter and included a (1) percentage point headwind related to our case pack water business which includes the impact of a transition to a third-party partner.

Core operating margin improved in the quarter and has increased 60 basis points year to date.

Encouragingly, our Pepsi trademark gained market share in the carbonated soft drink and cola categories, delivering both volume and net revenue growth in the second quarter and year to date. Pepsi Zero Sugar delivered strong double-digit volume and net revenue growth in the quarter and year to date, while Regular Pepsi also delivered volume and net revenue growth for the quarter and year to date.

The amplification of our successful "Food Deserves Pepsi" marketing campaign and the activation of our "Pepsi Zero Sugar Taste Challenge", have driven higher brand awareness and contributed to our volume, net revenue and market share performance. We have also seen success with consumer-preferred flavor varieties, including Pepsi Wild Cherry and Wild Cherry Zero and our introduction of Pepsi Wild Cherry & Cream earlier this year. Collectively, these flavor varieties of Pepsi gained 20 basis points of market share within the cola category.

Beyond cola, our carbonated soft drink flavor platforms also performed well. Mountain Dew Baja Blast continued to build on last year's highly successful national launch, while Mug Root Beer has also seen good momentum – with each of these products delivering volume and net revenue growth in the second quarter and year to date.

In non-carbonated beverages, we gained market share in the sports drink and enhanced water categories year to date, with functional hydration offerings such as Propel continuing to deliver strong volume growth and double-digit net revenue growth in the second quarter and year to date. Propel retail sales have more than doubled since 2019 and exceeded $1 billion in estimated annual retail sales in 2024.

Our away-from-home business delivered high-single-digit net revenue growth during the quarter with market share wins in local restaurants. We also benefited from our recently expanded partnership with the Subway sandwich chain, gaining distribution of our beverage portfolio in Subways' more than twenty thousand North America locations.

In the quarter, we completed the acquisition of poppi, a fast-growing, prebiotic, modern soda business. The brand's retail sales have continued to grow at a strong double-digit pace leading to market share gains in both total liquid refreshment beverages and carbonated soft drinks.

poppi is highly complementary to our overall beverage portfolio and expands our reach with younger consumers while also garnering excitement and merchandising support from our retail partners.

Looking ahead, PBNA will continue to prioritize and invest in growing and attractive segments like zero sugar, functional hydration, sports nutrition and increase its away-from-home presence. Furthermore, we remain committed to driving profitable growth and improving PBNA's core operating margin over time by:

- Evaluating low-margin product and package combinations – such as case pack water, where we recently entered a distribution partnership with a third-party;
- Reducing organizational layers and complexities to increase efficiencies and drive greater focus on in-store selling and merchandising activities;
- Continuously sharpening our revenue growth management capabilities;
- Increasing transportation and logistical efficiencies; and
- Optimizing our advertising and marketing spend to drive greater return on investment.

PepsiCo Foods North America (PFNA) organic volume trends improved versus the previous quarter as we accelerated our agenda to improve our marketplace performance and reduce costs. Encouragingly, our savory snack organic volume trends (primarily Frito-Lay) improved versus the previous quarter.

In the second quarter, we gained market share in subcategories including curls and puffs, variety multipacks, corn chips, snack mixes and pork rinds. We also saw an improvement in our market share trends versus the previous quarter in flavored tortilla chips, wavy grain chips (Sun Chips) and pretzels.

Commercial actions taken to support these improvements included:

- Utilizing our revenue management and price pack architecture capabilities to offer more accessible price points on single serve packages and multipacks, while also continuing to expand the presence and reach of our minis canisters which offer both portion control and compelling consumer value;
- Expanding the assortment of value brands such as Chester's and Santitas;
- Rebalancing promotional depths and frequencies towards better everyday value;
- Advancing our presence in permissible snack offerings with the restaging of our Simply lineup of products and building on the success of Sun Chips, Stacy's and Quaker rice cakes. For example, Sun Chips delivered double-digit net revenue growth in the quarter and was ranked as the #1 permissible salty snack brand year-to-date; and
- Accelerating our performance in the Away-From-Home channel through the activation of our Doritos Nachos offering at Subway and the continued expansion of our successful Walking Taco platform across events and venues.

In addition to the commercial initiatives mentioned above, we also accelerated actions to tightly manage all operating costs across our value chain, reduce waste and drive more asset-based productivity. These actions included the closure of two manufacturing plants, three mixing centers and headcount reductions.

As we look ahead, we'd expect consumers to remain value-conscious across brands and channels. Affordability, coupled with preferences for bold flavor profiles, permissibility, functionality and portion control will each play a role in how consumers define value.

We believe that PepsiCo Foods North America is well positioned to address these needs and expect its core operating profit performance trends to improve during the second half of this year as we act with more urgency to:

- **Refine and optimize the consumer value proposition:**
    - We will continue to refresh our price and package offerings within multipacks through assortments that offer both variety and good value in a convenient and portion-controlled form.
    - We will also continue to sharpen our revenue management capabilities across brands, channels and packages to ensure that we provide good everyday value within the subcategories we compete in.

- **Accelerate innovation and the evolution of our portfolio:**
    - Our K-12 (education channel) foods portfolio in the U.S. is removing artificial colors for the start of the upcoming school season;
    - We are restaging large brand platforms such as Lay's and Tostitos with no artificial colors or flavors by the end of this year – with plans to also refresh brand visuals on the packages;
    - We plan to introduce extensions of Cheetos and Doritos that will contain no artificial colors or flavors;
    - We will expand the use of avocado or olive oil across certain brand platforms and enhance certain products with protein, fiber and whole grains later this year and into next year within our Frito-Lay and Quaker portfolios; and
    - We will continue to scale our permissible snack offerings, which contribute more than $2 billion in annual net revenue, with platforms such as Simply, Siete and Sabra, while continuing to elevate successful brands such as Sun Chips – which are made with whole grains and contain no artificial colors, flavors or preservatives. We expect Sun Chips to deliver high-single-digit net revenue growth in 2025 and exceed $700 million in net revenue.

- **Improve our presence and reach, consumer engagement, and marketplace execution by:**
    - Expanding our presence and reach within the away-from-home channel which continues to deliver attractive growth;
    - Sharpening our consumer engagement and activation activities through improved visual identities and product claims, focused digital communication and improvements in point-of-sale merchandising. For example, we look forward

to activating our focused consumer engagement programs around the FIFA World Cup in 2026, in which Lay's was named an Official Sponsor; and
    - Executing with greater precision on in-store placement and availability which includes improvements in service levels and inventory on display.

- **Elevate our focus on cost reduction, including additional actions to:**
    - Optimize our manufacturing footprint and route capacity;
    - Improve efficiencies within trade promotion activity and SKU complexity;
    - Consolidate our distribution network where possible; and
    - Tightly manage general and administrative costs.

<u>One North America Initiatives</u>

In addition to the activities mentioned above, we began the process of identifying synergies between our North American beverage and convenient foods businesses earlier this year, specifically to reduce duplication, adopt harmonized best practices, and integrate and consolidate administrative and support functions. Cost synergies realized from these initiatives will be used primarily to invest in capabilities that accelerate growth and improve profitability.

Examples of certain cost initiatives and potential benefits include:

- Optimizing our distribution facilities to maximize efficiency across our infrastructure and provide greater presence and reach in the away-from-home and small format channels. For example, we are redesigning our warehouse and distribution center facilities to support both food and beverage products while also modernizing the infrastructure with more automation and digital connectivity between facilities;
- Driving greater efficiency and higher service levels in our go-to-market and merchandising models. For example, we will reduce duplicative time and costs related to deliveries and miles driven while also deploying digital tools to help our frontline operate more efficiently and with greater execution and precision. We believe these actions can optimize our time and focus on critical in-store activities such as selling and merchandising which can improve in-stock levels and customer service; and
- Optimizing our back office and administrative functions and their accountabilities to provide integrated support across our North America operations. For example, as we continue to digitalize and standardize tasks and processes, we will harmonize best practices and streamline workflow. Savings realized from these actions can be used towards unifying consumer insights and analytics to help accelerate our innovation activity and portfolio evolution.

We believe these initiatives to operate as One North America will modernize our company and improve our agility and marketplace competitiveness over time.

Second Quarter International Business Review

Our International business delivered strong 6 percent organic revenue growth in the second quarter, the 17th consecutive quarter in which we delivered at least mid-single-digit organic revenue growth.

We are encouraged by the continued resilience of our international beverages business, while our convenient food businesses delivered good organic volume growth in Latin America and Asia Pacific and improvements in organic volume trends in EMEA versus the previous quarter.

Our International beverages business performed well and delivered 9 percent organic revenue growth in the second quarter. The growth was driven by good performance in markets including Mexico, Brazil, Germany, Poland, France, Egypt, Türkiye, Saudi Arabia, Pakistan and Thailand. Year-to-date, we held or gained share in Mexico, Brazil, Guatemala, U.K., Germany, Poland, Spain, France, China, South Korea and Pakistan.

Our beverage share has been aided by the performance of trademark Pepsi, which has been buoyed by the expansion and success of low and no sugar offerings which comprise nearly 60% of Pepsi's volume mix (in key anchor markets) and are available in more than 115 countries. Pepsi has gained share in many markets year-to-date, including large markets such as China, India, Mexico, Brazil and the U.K.

Our International convenient foods business delivered 4 percent organic revenue growth in the second quarter – which accelerated versus the previous quarter. The growth was driven by good performance in markets including Mexico, Brazil, Colombia, India, Egypt, Türkiye, Saudi Arabia and Thailand. Year-to-date, we held or gained savory snack share in Brazil, Colombia, Guatemala, Puerto Rico, Poland, France, Belgium, Romania, Egypt, China and Thailand.

International core constant currency operating profit increased 9 percent in the second quarter – which compares to 11 percent core constant currency operating profit growth during the second quarter of 2024.

We will continue to build, scale and expand our international presence, deliver more flavor and texture combinations that address local preferences and adapt our price pack architecture to offer consumers more value and convenience.

We are also excited about executing on our recent multi-year agreement with Formula 1 to make Sting its Official Energy Drink, in a partnership that also includes Gatorade as the Official Sports Drink and Doritos as the Official Savory Snack partner. The partnership will leverage F1's global reach to promote our brands and enhance fan experiences.

We will continue to elevate our focus on productivity initiatives to help fund investments for growth as 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

We expect our business to remain resilient for the balance of the year, led by our international business and improved performance for our North America business as we undertake the actions noted above for the balance of this year and into next year.

We continue to expect incremental supply chain costs (primarily related to the sourcing of certain global inputs and ingredients and related tariff impacts) for the balance of 2025 and are implementing mitigation strategies to partially reduce these incremental costs. This includes driving greater cost savings, adjusting the sourcing of key inputs, and sharpening our revenue management tactics later this year. We will remain agile and adjust our mitigation plans, when possible, given the dynamic nature of ongoing trade relations.

We will continue to control what we can and invest appropriately in our business to:

- Accelerate our innovation pipeline to provide consumers with options that meet their taste, nutrition and dietary preferences, while continuing to refresh our iconic brands;
- 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.

As a result, we continue to expect low-single-digit organic revenue growth and core constant currency EPS to be approximately even with the prior year. We also continue to expect a core annual effective tax rate of 20 percent.

Based on current market consensus rates, we now expect foreign exchange translation to negatively impact our reported net revenue and core earnings per share by approximately 1.5 percentage points (previously expected impact of approximately 3 percentage points).

These assumptions and the guidance above imply an approximately 1.5 percent decline (previously expected approximately 3 percent decline) in our 2025 core USD earnings per share 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.

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