Third Quarter 2024
Prepared Management Remarks
October 8, 2024

Please view these remarks in conjunction with our Q3 2024 earnings release, Q3 2024 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 updated 2024 guidance. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, October 8, 2024, 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 Q3 2024 earnings release and Q3 2024 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 June, July and August are reflected in our results for the 12 weeks ended September 7, 2024.

Chairman and CEO and Executive Vice President and CFO Commentary

We delivered organic revenue growth, strong core gross margin and core operating margin expansion and solid core constant currency EPS growth in the third quarter despite subdued category trends in North America, the continued – though diminishing – negative impacts of the Quaker recall, and business disruptions from ongoing geopolitical tensions in certain international markets.

Specifically:

- PepsiCo delivered 1.3 percent organic revenue growth, which compares to 8.8 percent organic revenue growth in the third quarter of 2023. Our two-year compounded organic revenue growth for the third quarter was 5 percent.
- Frito-Lay North America volume trends improved sequentially.
- PepsiCo Beverages North America delivered its fifth consecutive quarter of core operating margin improvement.
- Our Quaker Foods North America business – which continues to recover from the adverse impacts of certain product recalls – detracted approximately 50 basis points from our total organic revenue growth rate in the third quarter.
- Our International business delivered 4 percent organic revenue growth, which compares to 12 percent organic revenue growth in the third quarter of 2023. Core operating margin for our International business expanded 60 basis points in the third quarter versus the previous year and 110 basis points year-to-date.
- Core gross margin expanded 110 basis points and core operating margin expanded 75 basis points versus the previous year, as we continued to deliver strong end-to-end productivity initiatives, partially offset by planned business investments and an increase in our advertising and marketing spend.
- Core constant currency EPS increased 5 percent, which compares to 16 percent core constant currency EPS growth in the third quarter of 2023. Our two-year compounded core constant currency EPS growth for the third quarter was 11 percent.
- Year-to-date, core constant currency EPS increased 7 percent and our two-year compounded core constant currency EPS growth was 12 percent.

As we look ahead, we will remain focused on providing good value to consumers through our great-tasting products that offer variety, convenience, and affordability. We will also continue to elevate and accelerate our productivity initiatives across the organization to support disciplined commercial and advertising and marketing investments – including investments to accelerate the presence and variety of our positive choice and multicultural offerings.

Given the subdued performance of our categories and results to date, we now expect to deliver a low-single-digit increase in organic revenue in 2024 (previously approximately 4 percent organic revenue growth). However, given our strong pipeline of productivity initiatives and focus on profitable growth, we continue to expect to deliver at least 8 percent core constant currency EPS growth in 2024.

Third Quarter North America Divisions Review

Frito-Lay North America organic revenue declined 1 percent, which compares to 7 percent organic revenue growth in the third quarter of 2023. Core operating profit declined 9 percent in the third quarter.

During the quarter, we made investments geared towards offering more value to consumers and improving in-store availability and presence. As a result, volume performance trends improved sequentially.

However, the cumulative impacts of inflationary pressures and higher borrowing costs over the last few years have continued to impact consumer budgets and spending patterns. After outperforming packaged food categories in previous years, salty and savory snacks have underperformed year-to-date.

We believe our snack categories remain attractive and provide good value, convenience, and variety to consumers. And prior to recent trends, our business has executed well in a dynamic environment since 2020, following significant investments in our brands, capacity, supply chain and go-to-market systems. Between 2020 and 2023, we gained more than 200 basis points of value share within savory snacks and grew our annual net revenue by nearly $7 billion.

As we look ahead, we will continue to support this very attractive business and invest responsibly to stimulate growth by:

- **Providing Good Value To Consumers:**
  - During the third quarter, we made significant investments behind our Lay's brand, which delivered a notable improvement in performance trends. Lay's delivered mid-single-digit volume and net revenue growth, gained market share, and saw increases in household penetration.
  - We will continue to make focused investments by sub-category, brand, channel, and package to stimulate demand and offer consumers variety, convenience and affordability.

- **Strengthening And Elevating Consumer Programs For Our Brands:**
  - We are bringing back the very popular "Doritos Crash the Superbowl" program which has resonated well with consumers and aims to enhance brand health and equity.
  - We will continue to activate our sports partnerships to elevate our Tostitos brand to add enjoyment during gametime with our various chip and dip offerings.
  - We will activate other consumer engagement opportunities and programs with both large, trusted brands such as Lay's as well as smaller, emerging brands with Limited Time or unique offerings in the coming months.

- **Building Our Presence In Attractive Segments:**
  - We are investing to expand the offerings within our Positive Choices portfolio and elevate their presence in the marketplace. This includes brands such as SunChips, Stacy's and PopCorners, as well as our Baked, and Simply varieties.
  - We will continue to build and grow our presence within the multicultural and value conscious segments. Multicultural brands, including Sabritas, continued to perform well and delivered high-single-digit net revenue growth in the third quarter. Value-conscious brands such as Chester's and Santitas delivered double-digit and mid-single-digit net revenue growth, respectively and in aggregate, gained share in the third quarter.

- **Broadening Our Channel Presence:**
  - We will continue to broaden our presence in channels including the away-from-home and e-Commerce businesses. We announced in the quarter that Lay's, alongside our iconic portfolio of food brands, was named by FIFA as a global Official Sponsor of both the FIFA World Cup 2026™ and FIFA Women's World Cup 2027™.

To support these measured investments and position us to deliver long-term profitable growth, we will elevate and prioritize our multi-year productivity initiatives which include:

- Tightly managing operating and procurement costs;
- Advancing automation and digitalization initiatives;
- Maximizing transportation and route efficiencies; and
- Reducing waste and inefficiencies across the supply chain.

Quaker Foods North America organic revenue declined 13 percent and reflects the continued impact of product recalls and subdued category performance. Core operating profit declined 28 percent and primarily reflects the impacts associated with the product recalls and certain inflationary pressures.

We continue to make good progress in resuming production of items affected by the recalls and expect the net revenue performance of this business to improve in the fourth quarter.

PepsiCo Beverages North America delivered 1 percent organic revenue growth, which compares to 6 percent organic revenue growth in the third quarter of 2023.

Core operating profit increased 7 percent and core operating margin expanded 90 basis points and includes a double-digit increase in advertising and marketing spend. This represents our fifth consecutive quarter of core operating margin expansion.

We have elevated our productivity agenda this year and delivered double-digit core operating profit growth and 115 basis points of core operating margin improvement year-to-date.

During the third quarter:

- Large, iconic brands such as Gatorade delivered mid-single digit net revenue growth and gained share in the sports drinks category, while Pepsi also delivered good net revenue growth, buoyed by Pepsi Zero Sugar which continues to perform well and delivered double-digit net revenue growth.
- Brands that offer hydration or other functional benefits such as Propel and bubly also performed well and delivered double-digit and high-single-digit net revenue growth, respectively.
- Our away-from-home and e-commerce businesses each continued to perform well and were key contributors to growth.
- We also recently extended our partnership with Papa Johns, building on the new partnerships signed with Topgolf and Subway earlier this year.

As we look ahead, we remain very committed on improving PepsiCo Beverages North America's core operating margin over time by:

- Deemphasizing certain low margin product and package combinations;
- Utilizing our revenue management capabilities across brands, channels, and packages to offer increasingly precise consumer value propositions;
- Accelerating our productivity initiatives through advancing automation at our plants, driving more efficiencies within warehousing, transportation and logistics and reducing waste across our value chain;
- Continuing to utilize the scale of our direct store distribution system within the sports drinks and energy categories; and
- Optimizing our advertising and marketing spend.

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

Despite business disruptions associated with ongoing geopolitical tensions in certain international markets, our International organic revenue increased 4 percent – the fourteenth consecutive quarter in which we delivered at least mid-single-digit organic revenue growth. Growth was led by strong performance within our Europe and AMESA divisions. The two-year compounded organic revenue growth was 8 percent for the third quarter. Our International organic revenue growth has increased 6 percent year-to-date.

Our International convenient foods business delivered 3 percent organic revenue growth in the third quarter and 4.5 percent organic revenue growth year-to-date. Our International beverages business delivered 7 percent organic revenue growth in the third quarter and 9 percent organic revenue growth year-to-date.

In addition, core operating margin improved by 60 basis points in the quarter and 110 basis points year-to-date, with both periods reflecting an increase in our advertising and marketing spend. Our profitable international growth continues to reflect the actions we have taken to further build and expand our international presence, deliver more flavor and texture combinations that address local preferences, adapt our price pack architectures to offer consumers more value and convenience, and elevate our focus on productivity to help fund investments for growth.

For the third quarter, developing and emerging markets such as India, Egypt, Turkey, Poland, and Vietnam each delivered double-digit organic revenue growth, Colombia delivered high-single-digit growth, Brazil, South Africa, and Thailand each delivered mid-single-digit growth while Mexico delivered low-single-digit growth. International developed markets such as the U.K. delivered low-single-digit growth.

Year-to-date, we held or gained savory snack share in China, Brazil, India, Australia, South Africa, and Pakistan, and for beverages, we held or gained share in the U.K., Australia, South Korea, India, Thailand, Poland, Pakistan, Saudi Arabia, and Vietnam.

We continue to see a long runway of profitable growth for our $36 billion International business – which represented nearly 40 percent of PepsiCo's annual net revenue in 2023 and has an attractive and growing core operating margin – as we expand our presence and scale across geographies by offering a tailored assortment of products, flavors and packages that make our global brands locally relevant.

2024 Outlook and Guidance

We expect consumers to remain choiceful and value conscious as the cumulative effects of inflationary pressures continue to impact budgets and spending patterns. Pockets of elevated geopolitical tension and macroeconomic pressure are also expected to persist in certain international markets.

As a result, we will continue to take actions to stimulate growth through targeted investments in our brand, package, and channel offerings where better value, amplified advertising and more precise marketplace execution are needed.

We also continue to expect inflationary pressures to moderate versus the prior year, but certain commodity costs may remain elevated. And our operating expenses will continue to reflect additional investments directed at:

- Accelerating our innovation pipeline and channel expansion initiatives;
- Adding manufacturing, distribution, and go-to-market capacity to support growth; and
- Enhancing our capabilities in areas such as consumer insights, trade promotion management, demand forecasting, and supply planning.

To help mitigate certain inflationary pressures and support our commercial investments, we will continue to elevate and accelerate our existing productivity programs by:

- Expanding automation at our plants, warehouses, and distribution centers;
- Advancing digitalization across our organization;
- Maximizing labor efficiencies through our Global Capability Centers;
- Standardizing and harmonizing our IT systems; and
- Minimizing areas of waste throughout our value chain.

Considering these factors and our year-to-date revenue performance, we now expect to deliver a low-single-digit increase in organic revenue (previously approximately 4 percent organic revenue growth) in 2024. Geographically, we continue to expect International organic revenue growth to exceed North America organic revenue growth in 2024.

With a strong pipeline of productivity initiatives in place, we continue to expect to deliver at least 8 percent core constant currency EPS growth in 2024.

We also continue to expect a core annual effective tax rate of 20 percent. And 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 1 percentage point.

These assumptions and the guidance above continue to imply 2024 core earnings per share of at least $8.15, a 7 percent increase compared to 2023 core earnings per share of $7.62. We continue to expect total cash returns to shareholders of approximately $8.2 billion through $7.2 billion in dividends and $1.0 billion in share repurchases.

To conclude, our business has performed well in the face of multiple challenges and uncertainties since 2019. Our net revenue has grown to more than $90 billion and we are on pace to deliver more than 45 percent core USD earnings per share growth in 2024 versus 2019.

This is a testament to the long-term resilience of our categories and businesses and their ability to deliver profitable growth. And we continue to believe we have the right people, strategies, and advantaged capabilities to succeed in the marketplace and make PepsiCo an 'Even Faster, Even Stronger, and Even Better' organization in the future.

Thank you for the confidence you have placed in us with your investment.

Ramon Laguarta
Chairman and Chief Executive Officer

Jamie Caulfield
Executive Vice President and Chief Financial Officer