Fourth Quarter/Full Year 2024
Prepared Management Remarks
February 4, 2025

Please view these remarks in conjunction with our Q4 2024 earnings release, 2024 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:
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 full-year 2025 guidance. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, February 4, 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 Q4 2024 earnings release and 2024 Form 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 each December. As a result, our fourth quarter 2024 financial results in the United States and Canada (North America) reflect the 16 weeks ended December 28, 2024. All our international operations report on a monthly calendar basis for which the entire months of September, October, November, and December are included for our fourth quarter 2024 financial results.

Chairman and CEO and Executive Vice President and CFO Commentary

In 2024, our business delivered organic revenue growth, core gross and operating margin expansion and 9 percent core constant currency EPS growth, despite subdued category performance in North America, the adverse effects of the Quaker recall, and disruptions caused by geopolitical tensions in some international markets.

For the fourth quarter of 2024:

- Organic revenue growth accelerated versus the previous quarter to 2.1 percent.
- Our International business delivered 6 percent organic revenue growth, which compares to 8 percent organic revenue growth in the fourth quarter of 2023.
- PepsiCo's core gross margin expanded 25 basis points and core operating margin expanded 100 basis points.
- Core operating margin expansion benefited from the strength of our International businesses and a strong pipeline of productivity initiatives and reflects an increase in our advertising and marketing spend as a percentage of sales.
- Core constant currency EPS increased 14 percent, and our two-year compounded core constant currency EPS growth was 11 percent.
- Foreign exchange headwinds impacted our net revenue and core EPS performance by approximately 2 and 4 percentage points, respectively.

For the full year:

- PepsiCo delivered 2 percent organic revenue growth, which compares to 9.5 percent organic revenue growth in 2023.
- Our International business delivered 6 percent organic revenue growth, which compares to 12 percent organic revenue growth in 2023.
- PepsiCo's core gross margin expanded 70 basis points and core operating margin expanded 85 basis points.
- Core operating margin expansion was led by our International and PepsiCo Beverages North America businesses, our strong pipeline of productivity initiatives and reflects an increase in our advertising and marketing spend as a percentage of sales.
- Core constant currency EPS increased 9 percent, and our two-year compounded core constant currency EPS growth was 12 percent.
- Foreign currency headwinds impacted our net revenue and core EPS performance by approximately 1.5 and 2 percentage points, respectively.

Looking ahead to 2025, we are focused on stimulating category growth and our marketplace competitiveness through disciplined commercial investments. This will include investments in:

- Focused innovation activity that refreshes our portfolio of iconic brands with various flavor, texture or packaging options;
- Expanding our portfolio to address under-penetrated consumer opportunities, particularly in permissible, multi-cultural, functional and value-oriented product offerings;

- Sharpening our consumer engagement; and
- Executing with greater precision with respect to our in-store availability and placement.

To fund these investments and position us to deliver profitable growth, we will continue to generate elevated levels of corporate wide productivity savings enabled by automation, standardization, and increased use of digital tools and data analytics.

We expect our North America performance to gradually improve as the year progresses, and our commercial activities take hold. We expect our International business to remain resilient, although geopolitical tensions and macroeconomic volatility may persist in certain markets. Therefore, we expect low-single-digit organic revenue growth and mid-single-digit core constant currency EPS growth in 2025.

We will also continue to prioritize cash returns to shareholders and today announced our decision to increase our annualized dividend by 5 percent, effective with the June 2025 dividend payment. This will represent PepsiCo's 53rd consecutive annualized dividend per share increase.

Our business has performed well in the face of multiple challenges over many years. Over just the past five years, PepsiCo's net revenue has grown 37 percent to nearly $92 billion and our core USD earnings per share has grown 48 percent versus 2019, a testament to the long-term resilience of our categories, the agility of our business model and our ability to deliver profitable growth.

North America Divisions Review

Frito-Lay North America full-year 2024 organic revenue declined 0.5 percent, which compares to 9 percent organic revenue growth in the prior year. Fourth quarter organic revenue declined 2 percent.

Core operating profit declined 5 percent for both the fourth quarter and full year. Core operating profit – for both the fourth quarter and full year - included an $87 million pre-tax gain on real estate transactions and a $122 million pre-tax gain associated with the acquisition of the remaining 50 percent equity stake in our Sabra joint venture.

In 2024, the salty and savory snack categories underperformed broader packaged food, following multiple years in which these categories had outperformed packaged food. We believe the cumulative impacts of inflationary pressures and higher borrowing costs on consumer budgets, difficult laps from above-trend salty and savory category growth in previous years and continued growth in away-from-home dining and experiential spending have impacted our categories and broader packaged food.

As we look ahead, we aim to accelerate category performance and our competitiveness within the category by prioritizing:

- **Consumer-centricity:**
    - Refreshing our large and trusted brand offerings with relevant flavor or texture profiles that resonate well with consumers.
    - Advancing our permissible offerings which includes relaunching our Simply product lineup, which contain no artificial colors or flavors, with updated visual packaging and new flavor offerings. In addition, we are very excited about leveraging the potential of both our Siete and Sabra brands which offer more diverse ingredients and options for consumers prioritizing protein.
    - Growing the presence of our existing multicultural portfolio with ethnic- inspired flavor offerings through our Sabritas, Marias and Natu Chip brands.
    - Activating popular consumer engagement programs through our “Lay’s Do Us A Flavor” and “Doritos Crash the Superbowl” campaigns.
    - Elevating our occasion-based communications such as highlighting our Tostitos brand during gametimes with our various chip and dip offerings.

- **Convenience and Value:**
    - Making surgical, disciplined investments to deliver good value by sub-category, brand, channel, and package.
    - Offering ample diversification and portion control with our packaging options, such as our multipacks, variety packs and Minis canisters.
    - Building and growing our Chester’s and Santitas brands which offer great taste and value for consumers. These brands delivered double-digit and high-single-digit net revenue growth in 2024, respectively.

- **Broadening our presence:**
    - Continuing to expand our brand presence within the attractive and growing away-from-home channel to offer unique culinary experiences and product offerings such as The Walking Taco, the Doritos After Dark restaurant, Doritos Locos Tacos, Tostitos cheese dispensers, Tostitos Cantinas Food Trucks and Sabra’s refrigerated dips.

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

- Tightly managing operating costs across our value chain;
- Focusing and further prioritizing our consumer engagement activities by brand; and
- Maximizing efficiencies within our direct store delivery system.

Quaker Foods North America organic revenue declined 14 percent in 2024. Core operating profit declined 19 percent for the full year. Fourth quarter organic revenue declined 2 percent and core operating profit increased 7 percent. Fourth quarter and full year core operating profit includes a $75 million pre-tax insurance recovery related to business interruption costs associated with the impacts of the product recall.

We expect Quaker's net revenue performance to gradually improve in 2025 as we lap the impacts of the recall. Our top priorities include stabilizing our oatmeal performance, rebuilding our snack bar presence and distribution, and continuing to expand and refresh our lite snack offerings, such as rice-based snacks.

PepsiCo Beverages North America organic revenue increased 1 percent in 2024, which compares to 7 percent organic revenue growth in the prior year. Core operating profit increased 5 percent and core operating margin increased 45 basis points for the full year - which compares to 50 basis points of core operating margin expansion in the prior year.

Fourth quarter organic revenue increased slightly versus the prior year. Core operating margin declined in the fourth quarter and reflects a double-digit increase in advertising and marketing spend.

Within our broad beverage portfolio, we continued to elevate and prioritize our focus on attractive segments of the category – such as zero sugar, functional hydration, and sports nutrition, while also optimizing our resources to focus on fewer, larger initiatives.

In 2024, our Pepsi Zero Sugar brand delivered double-digit net revenue growth, as did our functional hydration offerings such as Propel and convenient enhancers and tablets, while Gatorade gained market share. We also successfully executed on the nationwide rollout of Mountain Dew Baja Blast which generated more than $1 billion in annual retail sales (including foodservice channel), and we continued to advance our presence in both the foodservice and ecommerce channels which both delivered net revenue growth.

In 2025, we expect to remain disciplined and selective with our investments and commercial activities by focusing on attractive, profitable growth segments that address consumer preferences around positive choices, functional hydration, and sports nutrition.

We also remain committed to elevating our multi-year productivity agenda (in addition to our multi-year, corporate wide initiatives) that supports our desire to further improve our core operating margin over time by:

- Deemphasizing low margin product and package combinations;
- Becoming more precise with our price and package combinations by brand and channel;
- Reducing transportation and logistical inefficiencies; and
- Optimizing our advertising and marketing spend.

International Business Review

Our $37 billion International business (which represented approximately 40 percent of total PepsiCo net revenue and core division operating profit in 2024) delivered 6 percent organic revenue growth in 2024, or 9 percent organic revenue growth on a two-year compounded basis.

International convenient foods delivered 4 percent organic revenue growth while International beverages delivered 10 percent organic revenue growth for the full year.

Core operating margin expanded 160 basis points for the full year, which compares to 200 basis points of core operating margin expansion in the prior year and was led by Europe and Latin America in both years.

For the fourth quarter, our International business delivered 6 percent organic revenue growth, which compares to 8 percent organic revenue growth in the fourth quarter of 2023. Within our International business, convenient foods delivered 4 percent organic revenue growth while International beverages delivered 13 percent organic revenue growth in the fourth quarter.

International core operating margin increased 260 basis points in the fourth quarter - which compares to 325 basis points of core operating margin expansion in the prior year quarter.

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 systematic, multi-year productivity initiatives to help fund investments for growth.

For the full year, India, Egypt, Poland, and Turkey each delivered double-digit organic revenue growth, while South Africa, Brazil and Thailand delivered high-single-digit growth, and Mexico, Colombia, Vietnam, the U.K. and the Philippines delivered mid-single-digit growth.

For the full year, we held or gained savory snack share in China, Brazil, India, Australia, South Africa, Poland, Colombia, Guatemala, and Pakistan and for beverages, we held or gained share in the U.K., Germany, Brazil, Australia, South Korea, India, Thailand, Poland, Pakistan, Saudi Arabia, and Vietnam.

We continue to see a long runway of profitable growth for our International business 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.

2025 Outlook and Guidance

Our business plans assume that consumer preferences and habits will continue to vary by channel, income cohort and geography. Our commercial plans and go-to-market systems will focus on more precise execution with an adaptive and agile mindset. We also assume that geopolitical uncertainty and foreign exchange volatility will remain elevated in 2025.

Our operating expenses will continue to reflect additional investments directed at stimulating growth and modernizing our company. Examples include:

- Accelerating our innovation pipeline to ensure we provide options that meet various nutrition or dietary preferences, while continuing to refresh our iconic brands with new flavor and texture varieties;
- Initiatives to expand channel diversification and international presence; and
- Enhancing our digital capabilities in areas such as consumer insights, trade promotion management, demand forecasting, and supply planning.

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

- Expanding automation at our plants, warehouses, and distribution centers;
- Selectively optimizing our manufacturing, warehousing, and distribution capabilities;
- 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, we expect to deliver low-single-digit organic revenue growth and mid-single-digit core constant currency EPS growth in 2025.

We also expect a core annual effective tax rate of approximately 20 percent and foreign exchange translation to negatively impact our reported net revenue and core earnings per share by approximately 3 percentage points, based on current market consensus rates.

As a result, the guidance above implies a low-single-digit increase in our core USD earnings per share for 2025 versus our 2024 core USD earnings per share of $8.16.

We remain committed to returning significant cash to our shareholders. Today we announced we will increase our annualized dividend by 5 percent, effective with the June 2025 dividend payment. This will represent PepsiCo's 53rd consecutive annualized dividend per share increase.

In addition, for 2025 we expect our share repurchases to approximate $1 billion. Therefore, total cash returns to shareholders will approximate $8.6 billion (which includes approximately $7.6 billion in cash dividends and $1 billion of share repurchases).

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