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# PepsiCo, Inc. (PEP)

Q4 2025 Earnings Call

## CORPORATE PARTICIPANTS

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**Ramon L. Laguarta**

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**Stephen T. Schmitt**

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## OTHER PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, and welcome to PepsiCo's 2025 Fourth Quarter Earnings Question-and-Answer Session. Your lines have been placed on listen-only until it's your turn to ask a question. Today's call is being recorded and will be archived at [www.pepsico.com](http://www.pepsico.com).

It is now my pleasure to introduce Mr. Ravi Pamnani, Senior Vice President of Investor Relations. Mr. Pamnani, you may begin.

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### Ravi Pamnani

*Senior Vice President, Investor Relations, PepsiCo, Inc.*

Thank you, Kevin, and good morning, everyone. I hope everyone has had a chance this morning to review our press release and prepared remarks, both of which are available on our website.

Before we begin, please take note of our cautionary statement. We may make forward-looking statements on today's call, including about our business plans, guidance, and outlook. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, February 3, 2026, 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 fourth quarter 2025 earnings release and 2025 Form 10-K available on [pepsico.com](http://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.

Joining me today are PepsiCo's Chairman and CEO, Ramon Laguarta; and PepsiCo's Executive Vice President and CFO, Steve Schmitt. We ask that you please limit yourself to one question.

And with that, I will turn it over to the operator for the first question.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question comes from Bonnie Herzog with Goldman Sachs. Your line is open.

**Bonnie Herzog**

*Analyst, Goldman Sachs & Co. LLC*

Thank you, and good morning, everyone.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

Hi, Bonnie

**Bonnie Herzog**

*Analyst, Goldman Sachs & Co. LLC*

I had a question this morning on PFNA. You did announce that you're going to be accelerating your increased affordability initiatives this year during the first half, I guess. Hoping for a little more color on this strategy. What's been working?

And then how much lower will your average price points fall? And then you did mention productivity things will help fund these commercial plans, and, I guess in the context of this, you expect PFNA op margins to expand this year. So if you could touch on how you'll ultimately balance growth and profitability for that business, that would be helpful. Thanks.

**Stephen T. Schmitt**

*Chief Financial Officer & Executive Vice President, PepsiCo, Inc.*

Hey, Bonnie. Good morning. It's Steve. Maybe I'll take a stab at it and let Ramon comment a little further. In regards to your question on the investments we're making in PFNA, I'd say there's three points. First, and most importantly, we're playing offense here. And second, we're excited about the initiative and the benefits that will come both in volume and sales growth. And third, from an overall perspective, this investment is manageable for the business. It's included in our guidance.

And our productivity progress, as you mentioned, certainly, that's going to help fund the initiatives that we have. So we're really fortunate. You saw the productivity that we had in the fourth quarter. We expect a lot of that to carry over. That's going to fund some of our investments. And we'll be balanced about how we use that productivity to invest in the business and drive sales growth.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

Yeah, Bonnie, maybe I can give a bit more color. This is part of a multi-vector strategy to drive category growth and then obviously our participation in the category. And this is something we've been working on since Q2 or so of last year, testing at scale with some of our – in some of our key markets.

We think that for some consumers, low and middle-income consumers, the biggest friction they have today in our category for faster penetration is affordability. So we have been testing multiple ways to give them affordability.

So this will be a very surgical, very focused on particular brands, particular formats, particular channels investment. And from the test that we've done at scale in multiple markets, this has very good ROI for us.

You should be thinking this on top of space gains – big space gains that we're getting through the partnership with our customers, because of these investments in price. We're also investing, as we said on our prepared remarks, a lot on innovation, especially to provide more functionality, simpler ingredients, restage some of our larger brands. So it's a comprehensive investment plan funded through the productivities, the rightsizing with it in Frito and other productivity opportunities we took at the global level to reinvest in the acceleration of the category, managing the category for the long-term and making sure that we participate at a higher level in this category that is starting to grow. And we feel very good about how these different interventions will continue to drive accelerated growth in the balance of the year.

**Operator:** Thank you. One moment for our next question. Our next question comes from Andrea Teixeira with JPMorgan. Your line is open.

**Andrea Teixeira**

*Analyst, JPMorgan Securities LLC*

Q

Thank you, and good morning, everyone. So, I was hoping to – if you can comment further on the pricing reinvestment you just alluded to. There was a news article that talked about as much as 15% in some of the PFNA items, right? So, and you're doing the restaging. So, I was hoping to see if you are – what are your tools to be able to mitigate that in the first half, or should we expect that to be a tough first half relative to what you just posted in PFNA?

And then related to that, it talks – I mean obviously, you're also restaging Gatorade. So I was hoping to see if you can comment on the volume trajectory. You have an easier comp for PBNA as you go into the first half, in particular the second quarter. So if you can talk about like how we should be expecting the cadence of your guidance, that would be super helpful? Thank you.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Okay, Andrea, let's step back for a minute. We expect Frito-Lay to grow volume, net revenue and operating margin this year. So that should be the framework that we operate in. Now, this growth will come early in the year. Okay. So we expect volume growth and net revenue growth to come early in the year.

The way you should think about the pricing investments and the article obviously talks about the maximum. As I said earlier, it will be very surgical investment in particular consumers, brands, channels where we see that the biggest friction for higher frequency is price and that's the way we've tested and the way it will go.

Now, you should think about a combination of some price investment – not all of it is obviously net revenue from PepsiCo, and large space gains. Just to give you a number, the average space gain for Frito-Lay in the new resets, of both the main aisle and the perimeter, will be double-digit. So we'll be growing double-digit space in Frito-Lay from the March-April timeframe, when most of our partners start changing their layout. So, this is a good return for us, and a great return for the category as well and this category needs to grow. It's very relevant for our partners, is relevant for us.

**Stephen T. Schmitt**

*Chief Financial Officer & Executive Vice President, PepsiCo, Inc.*

A

And one other thing Andrea – excuse me – you asked I think about the cadence of the quarters. We talked about in our guidance from a sales growth standpoint that we expected sales to strengthen in the second half as more of our initiatives are put in place and gains traction, as well as we have poppi and some other acquisitions from prior year moving into organic growth. From an EPS perspective, we think the year will be pretty balanced from a first half second half standpoint and we'll certainly update you as the year progresses.

**Operator:** Thank you. One moment for our next...

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Maybe if I can add, Andrea, there is a – we're also restaging two big brands. We're restaging Gatorade and we're restaging Quaker. We're starting the year with Lay's and Tostitos. Those are multi-billion dollar brands for us. And then later in the year, we're going to have big relaunches of Gatorade and Quaker, two big brands obviously for us that are more on the sweet spot of growth of the categories.

**Operator:** Thank you. One moment for our next question. Our next question comes from Dara Mohsenian with Morgan Stanley. Your line is open.

**Dara Mohsenian**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hey, good morning.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Hey, Dara.

**Dara Mohsenian**

*Analyst, Morgan Stanley & Co. LLC*

Q

I was just hoping for a little more detail on the focus on affordability and the price investments. Just, a, is that more focused on specific packages, brands? Can you just give us a little more detail in terms of how you're thinking about that?

And then, b, there is some evidence, right, there's some retailers where you've taken actions already as we look back to last year and the last few months of the year. So maybe just help us understand what level of payback you saw there. Are you seeing volume pick up more than the price investments? Is it close to the price investments? How do you sort of think about the forward outlook there relative to what you've seen so far, understanding that it'll be more aggressive actions in 2026?

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah, Dara. So, as I mentioned, it is very surgical. This is well tested at scale. Obviously, we're executing it means that we got very good ROI from those investments. Volume return is pretty good and that's what the category needs, units and volume to go up. This not only has a good impact in the consumer – obviously, being part of our business and being part of our brands – but as you can imagine, once we've rightsized Frito-Lay as we have the flow through of additional volume has a lot of good leverage for us. So, you should think about all these

components, and we'll update you more as we get more data in coming quarters. We're very optimistic and we started the year in a good place.

**Operator:** Thank you. One moment for our next question. Our next question comes from Lauren Lieberman with Barclays. Your line is open.

**Lauren R. Lieberman**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thanks. Good morning. We had quickly just had the time to go through bits of the 10-K before the call started and noticed that advertising was down like – was double-digits, like \$500 million in 2025. So just curious about what drove that thoughts for 2026. Whether – I would think advertising would go up, but that was sort of a bigger decline than I would have expected to see for 2025 and I'd love to hear more about it? Thanks.

**Stephen T. Schmitt**

*Chief Financial Officer & Executive Vice President, PepsiCo, Inc.*

A

Hey, Lauren. It's Steve. Thanks for your question. You're right. It did go down this year. We did get some efficiency from both a working and non-working advertising line. And your assumption that it should go up next year is a good one, too. That's a benefit from just from a cost of sales standpoint that we did get in in 2025 that we would expect not to get that same benefit. So we're going to be very growth-minded. We're going to be making sure our messaging comes through from a value and innovation standpoint. And so, we'll be investing in the sales growth for this year.

**Operator:** Thank you. One moment for our next question. Our next question comes from Filippo Falorni with Citi. Your line is open.

**Filippo Falorni**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi, good morning, everyone. I wanted to ask on the guidance for organic sales for 2026. You mentioned that in the second half of the year you expect to be at the higher end of the full year guidance range. Can you walk us through like the drivers of acceleration throughout the year. Because Ramon, you mentioned before you're expecting PFNA to return already to volume growth earlier in the year. So is it further acceleration in PFNA or maybe some acceleration in the other two segments, PBNA and international? Maybe you can comment on the expectations for the other two segments as well. Thank you.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah, Filippo, Hi. Yeah, I think the way you should think about the year is we expect our international business to continue to perform at similar levels to last year – mid-single-digit. We're seeing good performance in some of our larger markets. Mexico improving in the Q4 and then also having a good start. China as well, South Africa as well, so – but you should think about mid-single-digit growth for our international business. That's the way it has been performing for the last 19 quarters or so there.

And the acceleration comes mostly from our North America businesses. On the beverage side, we are – we feel good about the acceleration it had in 2024 and 2025, and we think that it will continue. So, you should expect a little bit more acceleration from the beverage business.

But clearly, it is our food business that has been improving throughout the year both volume and net revenue. And December was better than October and we expect that obviously Q1 will be better than Q4 and so on. So that is the way we're thinking about the year. And then you have some sort of a mechanical acceleration in organic from some of the acquisitions we made earlier in the year; they turn into organic throughout the year. That will have also some mechanical impact.

But those acquisitions are very – are in high growth segments of the category. That's why we did it. They've been integrated very well into our distribution systems. And we're getting additional return on those brands. So, they'll continue to grow and there will be an acceleration of the portfolio in the second half. So, those are the main buckets of growth and how you should be thinking about the acceleration in the second half.

**Operator:** Thank you. One moment for our next question. Our next question comes from Peter Grom with UBS. Your line is open.

**Peter Grom**

*Analyst, UBS Securities LLC*

Q

Great. Thank you. Good morning, everyone. So, Ramon, you outlined a lot of innovation in the prepared remarks and talked about some of the success you've seen with Naked and Pepsi Prebiotic. So, granted it's still very very early, but can you just talk about what you are learning or seeing from the innovation and how that informs your view on the path forward in North America? Thanks.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah, that's a great question. And, obviously, we're thinking about growth in two main dimensions. One is making sure that our core brands continue to grow and that's why we're investing meaningful effort from the organization and dollars to restage some of our larger brands.

So, if you think about the effort to relaunch Lay's globally, we did it with Pepsi two years ago. We're still getting very good returns on that investment. Now we're relaunching Lay's globally with a new positioning you will see for the Super Bowl, based on freshness, based on farmers, simple ingredients, no artificials. We know that that is going to bring consumers to the brand. We're relaunching Tostitos and, as I mentioned, we're relaunching Gatorade and we're relaunching Quaker, so, big brands that need to continue to drive the machine.

And then we're innovating in the periphery of the category where we're seeing growth. And just to give you some examples, Naked was a good innovation for us. It is going to be a permanent innovation for us. And what it taught us is that there are consumers out there that are looking for us to give them excuses to come into the category. And these are mainly younger households, moms that love our products, but they want it, in this case, the case of Naked, like no artificials. So now the actual claim is, now I can give my children my favorites because it has no artificials.

So, we're thinking about innovation from a category building point of view, bringing more consumers into the category and obviously driving frequency of the category, as I discussed earlier with the affordability investments.

The same in beverages. We're seeing the consumers willing to come into the category if we give them the right products. One of the big innovations we have in the plan for next year – for this year is Gatorade low-sugar, no artificials. We think this is going to be, from the conversation with our customers, the space, the allocation, et



cetera, it's going to be a big innovation for us. Again, probably the same consumer looking for reasons to come into some of our large brands.

We're very keen on some of the fiber innovation. We're very keen on some of the innovation with protein. We are betting a lot on portion control. I think portion control is also a very big lever to keep consumers in the category and increase our frequency. So our multipack, both in foods and beverages, is going to be a very critical lever for us to grow. And I think we're getting better, more insightful, more granular in the combinations and the price points and the different occasions where those packs can participate. And we know that that they're driving category growth and they're driving penetration of our brands.

**Operator:** Thank you. One moment for our next question. Our next question comes from Kevin Grundy with BNP Paribas. Your line is open.

### Kevin Grundy

*Analyst, BNP Paribas Exane*

Q

Great. Good morning, everyone. Ramon, just picking up on your comment a moment ago on healthier innovations, but I want to drill down specifically on GLP-1 adoption, because it comes up a decent amount in terms of the push back on what may keep certain investors out of your stock.

So, naturally, there remains a lot of concern. You have oral tablets hitting the market, more insurance plans picking up weight loss drugs, et cetera. Can you – and not to be redundant, Ramon, with your comments from a moment ago, but maybe just address this GLP-1 concern head on. Did you – were you able to address this in the test markets where you had success with the innovation you're rolling out and the price investment? And do you feel like PepsiCo has a good handle on what higher adoption rates may look like in terms of implications for the category and for your outlook? So, your thoughts there would be appreciated. Thank you.

### Ramon L. Laguarta

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah, I think we should assume that there will be a broader adoption of GLP-1 medicines. As those options evolve and they're more affordable. So, I think that should be an assumption. Now we are reacting – we have been working on this for some time. There are multiple levers that we're using and we're very optimistic on how PepsiCo can play in that new reality with the consumer. I think there are more opportunities than threats, but there are both.

The way we're reacting is multiple. One, we believe portion control and we've tested and we see that families with GLP, they continue to engage in our category, but they do it in smaller portions. So, the way to keep the category relevant is through smaller portions. If you think about our portfolio in the US, 70%-plus of our food business is already in single-serve, right? So we're invested in single-serve capacity. We continue to provide consumers solutions for 1-ounce, 1.5-ounces, small portions that they be through the consumer's life.

Now there are big opportunities for us if you think about consumer habits in – when consumers are in GLP medication. The – one is hydration, big idea for us, big opportunities. We're relaunching Gatorade. Propel is growing 20%-plus, powders, tablets, more functionality along with hydration, big idea. Fiber, we know those consumers are looking for fiber. They have some digestive problems, we can provide, we are innovating around fiber, whole grains. That's a big space. We're relaunching Quaker. Quaker will put emphasis on that space but not only that, SunChips and some of our food products as well.

Protein obviously, that's an area where we've been innovating for some time and we'll continue to do it. We're working on cooking methods. So, consumers like baked, they like popped. We're working on air frying. We're working on different technologies to make sure our products are cooked in a way that is more closer to what the consumers will prefer. So, multiple vectors of transformation that will be sequencing with a sense of urgency. We did last year. We continue to do this year. But I think this could turn into an opportunity for us and that's how we're approaching it in the US, but not only the US. This is going to be an opportunity for us in multiple markets.

**Operator:** Thank you. One moment for our next question. Our next question comes from Kaumil Gajrawala with Jefferies. Your line is open.

**Kaumil Gajrawala**

*Analyst, Jefferies LLC*

Q

Hey everyone, good morning. I guess the big news and congratulations on the double-digit shelf space gains that you talked about earlier. Can you maybe just give some more details, where is it coming from? When you go through a typical grocer, Frito-Lay has quite a bit of shelf space already. So, is this within the salty snacks aisle? Is it incremental shelf space maybe in other parts of the store? Just any more details around what's expected to be this big increase at reset time? Thanks.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah, good question. And yes, it is a great achievement of our commercial teams in partnership with our customers. And it will be in multiple as you can imagine – in multiple parts of the store. It is in the main shelf but it's also in the perimeter. And it's a consequence of the increased units that we're seeing as we make our category more affordable. There's clearly more throughput and there needs to be more capacity in the store to either fulfill online or to give the consumers the in-store experience. So yeah, both, main shelf, perimeter, it's been tested. Capacity will be critical for us to continue to increase the volume and the units.

**Operator:** Thank you. One moment for our next question. Our next question comes from Michael Lavery with Piper Sandler. Your line is open.

**Michael S. Lavery**

*Analyst, Piper Sandler & Co.*

Q

Thank you. Good morning. I just wanted to come back to some of the innovation and marketing but maybe on the biggest brands. I know that you're driving the savings to help fund step-ups there. But what's different maybe in the – any shift in capabilities or strategically? Obviously, the biggest brands could potentially have the biggest impact if you can move the needle there. But just want to understand maybe what's changing and is it primarily just a bigger push in visibility or help us unpack some of what you're hoping to work on your largest brands.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah. Let me take the example of Lay's and that might give you a good sense. So, Lay's, we're changing the visuals with the idea of making the brand more centered on simplicity, nature, freshness, potato, the ingredients of the food because that's what consumers are looking for: the food in the brand. There is a – we're also changing some of the oils. So, you will see versions of Lay's with avocado oil. You will see versions of Lay's with olive oil. So, it's an elevation of the ingredients. It's a simplicity of the portfolio. We're eliminating artificials. And we are investing much more in terms of A&M and in terms of price points of the brand.

So, it's a holistic relaunch of the brand. We're doing it globally. And we're elevating the farmers that produce our products, that grow our potatoes. And I think every time we do that, we see that consumers move them away from the artificiality or high processing of our products perception and they move to what it is, which is, simple product cooked with precision at scale and kitchen logic and no artificials. So, that is the change in perception we're trying to do. It is working. And we'll continue to invest. Think about that applied to Gatorade, applied to Quaker, applied to Tostitos, and you'll get a sense of what we're trying to do.

**Operator:** Thank you. One moment for our next question. Our next question comes from Steve Powers with Deutsche Bank. Your line is open.

**Steve Powers**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Great. Good morning. Thanks. Ramon, if we pivot back to PBNA and how you expect that segment to ultimately contribute in terms of growth and profit margin, you mentioned a number of drivers in your response earlier to Filippo's question. But, I guess, if you could drill a little further down, I'd love some perspective on how you expect the energy portfolio to contribute to that segment's progress, just how material that is to the plans in 2026. And any early returns on either Celsius' category captaincy or the onboarding of Alani? Thank you.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

That's great. So, listen, I think we're very happy with the progress we're making in the beverage business. Our focus this year will be on increasing competitiveness of the business. I think there's some areas of the portfolio where we can be more competitive and it's a combination of execution, it's a combination of affordability, brand building. So, we're focusing on that, in particular on the soft drinks and parts of the functional hydration portfolio. So, that would be the focus.

And we feel good about the plans and we feel good about the, again the space and we feel good about the investments we're going to be making. So, the other thing you should think about is we've been very consistent on improving the margins of the business and 2026 will be no different. We plan to continue to improve the margin of the beverage business in North America and in direction to the target that we've shared with you in the past.

Now with this – especially on your specific question on energy, we're very happy with the way we want to participate in that fast-growing profit pool of the category, which is energy. The way we've engineered this through a combination of a distribution margin plus participating in ownership of Celsius, I think is a good way for us to participate. The Celsius brand continues to grow. And the introduction or the integration of the Alani Nu portfolio into our business has been pretty positive so far. It's early. We still haven't completed all the distributors around the country. So, we should see more acceleration in the coming months. But so far we're seeing some of the metrics on execution already improving and that should be positive for us going forward.

There's very good collaboration with the Celsius team. I think this separation of functions between the brand building part and more the execution part works well and, yeah, we should be able to continue to gain share in some – I think we're close to 20% now for the full portfolio. It's a meaningful participation in a category that is continuing to grow and – but has opportunities to grow even further.

**Operator:** Thank you. One moment for our next question. Our next question comes from Peter Galbo with Bank of America. Your line is open.

**Peter T. Galbo**

*Analyst, BofA Securities, Inc.*

Q

Hey guys, good morning. Thanks for the question. I just wanted to follow up maybe a little bit on Filippo's question and, Ramon, I think you've mentioned it a few times, but just as we think about lapping some of the M&A that's going to go into the organic, is there any way to kind of frame what those, once they become organic, kind of will be contributors to the full year? And I ask that just in the context of trying to compare the base business kind of like-for-like relative to when poppi and Siete move into the organic base. Thanks very much.

**Stephen T. Schmitt**

*Chief Financial Officer & Executive Vice President, PepsiCo, Inc.*

A

Hey, this is Steve. Maybe I'll just start with when they flip into organic. We have Siete that'll be in the March timeframe, poppi in the July timeframe, Alani Nu towards the end of the year, I think as Ramon talked about. It should certainly help our organic growth. We haven't been specific on exactly what that will be, but we'll report on that as the quarters evolve.

**Operator:** Thank you. One moment for our next question. Our next question comes from Chris Carey with Wells Fargo Securities. Your line is open.

**Chris Carey**

*Analyst, Wells Fargo Securities LLC*

Q

Hi, good morning everybody. So, Trademark Pepsi grew volume and dollars in 2025, which is a great outcome. Can you just give us a sense of what went well in 2025 specifically for that business and perhaps a bit of a preview of how you can continue that momentum in 2026? Obviously, there's some previews of ad spots that are coming up among other initiatives.

And just connected, it doesn't get a lot of attention, but Mountain Dew has been a bit more sluggish, but it's not an irrelevant brand specifically for the PBNA business, which will be important as we get through the year. Maybe just a few tidbits on how you're thinking about Mountain Dew and how to reinvigorate some of the growth as what you had seen with Brand Pepsi? Thanks.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Great. So, yeah, listen, we're happy with Pepsi obviously. It's a brand that is very important for our portfolio of beverages in the US and globally, and we're doing very well globally, but also is improving in the US. We're not satisfied yet. So, I think we have more potential with Pepsi. And that's why we're investing in a couple of areas, no sugar, as you saw, Pepsi Zero. I think we have a very good product, a product that over 100,000 consumers have told us that they prefer over our competitor based on our Pepsi Challenge.

And we want to tell our consumers that, hey, we're here and try us. So that's why we're investing in advertising in a way that is simple and easy to understand. The same way we're – we've been quite successful in our Food Deserves Pepsi campaign and that together with increasing our availability in restaurants and food consumption spaces away-from-home, is also being a big driver of volume but also, I would say, awareness and trial of the brand. And we'll continue to push on those two. So feel good about Pepsi, feel good about our advertising, feel good about our consumer programs and customer programs.

Now Mountain Dew, as you said, it's been a more difficult project. I think we're making good progress. The teams are iterating innovation. Baja has been a very successful innovation for us and some of the flavors that go with that, especially with Hispanic population but not only. We'll continue to iterate with – I think we have a marketing model that is very local, the – it's a brand that is very different in different parts of the country, so our marketing needs to be quite segmented and granular and I think our marketing teams are finding ways to be relevant in different parts of the country with the same brand but obviously different messages and different innovation and different portfolio. So we feel good. It will take a little bit longer, I would say, for Mountain Dew, but we've seen progress. 2025 was better than 2024 and 2026 will be better than 2025.

**Operator:** Thank you. One moment for our next question. Our next question comes from Robert Moskow with TD Cowen. Your line is open.

**Robert Moskow**

*Analyst, TD Cowen*

Q

Hi. Thanks. Ramon, I was hoping if you could give us just a little bit of an update on the tests that you're conducting in Texas and I think Florida, too, where you're merging food and beverage distribution. What's working and are there elements of the combination that are difficult to execute and how does that inform the broader strategic review that you're conducting for North America beverages distribution? Thanks.

**Ramon L. Laguarda**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah, great question and it's clearly an area of focus for us, eliminating duplications between our two large US businesses and finding ways to create advantage on the integration is where we're working on. There is some good insights already in integrated delivery, integrated inventory points. So those are very positive initial numbers that we're getting that will make us more cost-efficient but at the same time more flexible to provide better customer service, which at the end is one of the drivers of value.

We plan to update all of you later in the year – towards the end of the year with specific details on our plans going forward. So we're working on learning as much as we can, scaling some of the solutions. There's obviously technical IT systems solutions that we're putting in place that would be high value, I think, for us and for the industry. There's also some innovation in terms of vehicles and some of the transportation the trucks that we have to put in place.

So, there is innovation, there is discovery, and there is a – some of our best people are against this project which gives us a lot of confidence that we'll build something unique that will be high value for the company, both in terms of efficiency and also in terms of giving our customers a much better service for the demand of the future.

Now, as we said in the past, this will not be a one-size-fits-all for the US because the reality of the marketplace is very different and we will construct a scale model that takes into consideration the nuances of every part of the US, including potential small refranchising models in parts of the country, if we consider that that is the best solution. Again, very small parts, very kind of complementary to our main assumption, which is that the integration of the two businesses will drive a lot of value.

**Operator:** Thank you. One moment for our next question. Our last question comes from Rob Ottenstein with Evercore ISI. Your line is open.

**Robert Ottenstein**

*Analyst, Evercore ISI*

Q

Great. Thank you very much. I was wondering if you could just kind of step back and touch on the macro backdrop that you're working with. Maybe any change in trends in major markets through the fourth quarter and into January. Any expectations of the impact of government measures in the US and what are you thinking about in terms of the macro conditions, in terms of your guidance for the year? Are you expecting things to kind of continue the way they are or kind of pick up or weaken in any key markets in terms of supporting your guidance? Thank you.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

A

Yeah, the way we've constructed our guidance is continuistic from what we've seen in Q4. So clearly a middle and low-income consumer that continues to be stretched and choiceful and that we have to earn being part of their basket every day. I think that's how we're thinking about it for the US.

Internationally, we're seeing different parts of the world behaving differently, but we're optimistic about Mexico, as I said earlier. We're seeing positive trends in China. Again, I'm referring to our business and the surroundings of our business rather than larger macros. We're seeing positive situation in the Middle East. We're seeing a good consumer there as well. A bit weaker in Western Europe. And then Brazil kind of neutral. So those are our bigger markets and those are the assumptions that we've been putting in our guidance. Overall, I would say rather continuistic based on the data that we have with – monthly data that we have with consumers.

**Ramon L. Laguarta**

*Chairman & Chief Executive Officer, PepsiCo, Inc.*

Okay. So I think this is the last question. So thank you very much everybody for joining us today and for the confidence you've placed in our stock and I look forward to seeing you in CAGNY in a couple of weeks and continuing the conversation. Thank you.

**Operator:** Thank you, ladies and gentlemen. That concludes today's presentation. You may now disconnect and have a wonderful day.

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