Fourth Quarter/Full Year 2025
Prepared Management Remarks
February 3, 2026

Please view these remarks in conjunction with our Q4 2025 earnings release, 2025 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:
https://www.pepsico.com/investors/earnings

We also invite you to listen to our live question and answer webcast with Ramon Laguarta (Chairman and Chief Executive Officer) and Steve Schmitt (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 2026 guidance. 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 Q4 2025 earnings release and 2025 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, the fiscal year ends on the last Saturday of each December. As a result, our fourth quarter 2025 financial results in the United States and Canada (North America) reflect the 16 weeks ending December 27, 2025. 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 2025 financial results.

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 Form 8-K filed July 17, 2025 – which are also available on pepsico.com.

<u>Executive Summary:</u>

- *Fourth quarter results featured accelerated net revenue growth, strong core operating margin expansion and double-digit core EPS growth*
- *Fourth quarter net revenue growth reflects an acceleration in organic revenue growth and benefits associated with foreign exchange translation and acquisitions, net of divestitures*
- *Executing on expansive innovation and affordability initiatives to improve PepsiCo Foods North America marketplace competitiveness and financial trajectory*
- *Elevated global productivity savings to help fund commercial and brand investments*
- *Affirming fiscal 2026 financial guidance and increasing annual dividend for 54th consecutive year, effective with the dividend expected to be paid in June 2026*

<u>Chairman and CEO and CFO Commentary</u>

We are pleased to report that PepsiCo delivered 5.6 percent net revenue growth, strong core operating margin expansion and 16 percent core EPS growth in the fourth quarter, featuring:

- A sequential acceleration in both reported net revenue and organic revenue growth – with organic volume trends improving for global snack foods;
- A sequential acceleration in net revenue growth and a strong increase in core operating margin at PepsiCo Beverages North America;
- An improvement in trend for organic volume and revenue at PepsiCo Foods North America;
- The nineteenth consecutive quarter of at least mid-single-digit organic revenue growth for the International business; and
- Strong 18 percent core operating profit growth and 16 percent core EPS growth aided by record productivity savings.

As we look ahead to fiscal 2026, our primary objectives include improving competitiveness and financial performance – which we believe will translate into accelerated annual growth and an improvement in core annual operating margin versus fiscal 2025.

To aid these objectives, we're continuing to refresh the existing portfolio and introducing a strong pipeline of innovative products. Specifically, we are restaging four global brands – Lay's, Tostitos, Gatorade and Quaker – focusing on quality preference, refreshed visuals and marketing and simpler ingredients. We are also introducing an expansive slate of innovation with emerging and functional offerings– with a focus on hydration, whole grains, fewer artificial ingredients, protein and fiber.

We have also implemented sharper affordability initiatives at PepsiCo Foods North America to improve competitiveness and the purchase frequency of our brands. Productivity savings will help fund these commercial plans in fiscal 2026.

For fiscal 2026, we remain encouraged by the trajectory of PepsiCo Foods North America and expect it to deliver both organic revenue growth and core operating margin expansion. We expect PepsiCo Beverages North America to build business momentum and deliver its sixth consecutive year of core operating margin expansion. PepsiCo's International business is also expected to remain resilient and perform well.

As a result, and as announced on December 8, 2025, we continue to expect full-year 2026 organic revenue to increase between 2 and 4 percent. We aim to deliver the high end of that range during the second half of 2026 as innovation activity, improved shelf presence and portfolio reshaping actions take hold.

Core operating margin is expected to increase as the benefits of net revenue growth and record productivity savings offset planned incremental investments in advertising and marketing and operating expense inflation.

We expect core constant currency EPS to increase between 4 and 6 percent and a foreign exchange translation tailwind of approximately 1 percentage point to benefit core EPS growth (based on current foreign exchange rates). As a result, we expect core EPS to increase approximately 5 to 7 percent.

North America Segment Review

PepsiCo Beverages North America (PBNA) net revenue growth accelerated sequentially to 4 percent and organic revenue increased 2 percent in the fourth quarter. Acquisitions, net of divestitures, contributed 2 percentage points to net revenue growth. Organic volume declined 4 percent and included an approximately 2.5-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 expanded 195 basis points and included a 70-basis-point headwind related to tariff impacts in the fourth quarter.

Fiscal year 2025 organic revenue increased 1 percent versus the prior year. Organic volume declined 3 percent, including an approximately 2-percentage-point headwind related to our case pack water business which includes the impact of a transition to a third-party partner to provide dedicated focus and improve profitability. Core operating margin increased 45 basis points to nearly 12 percent and included a 65-basis-point headwind related to tariff impacts in fiscal 2025.

Commercial highlights:

- Trademark **Pepsi** delivered volume and net revenue growth for the full year. Performance was aided by double-digit net revenue growth and market share gains for Pepsi Zero Sugar, which was supported by our successful "Food Deserves Pepsi" and "Pepsi Zero Sugar Taste Challenge" campaigns. Flavor varieties such as Pepsi Wild Cherry & Cream also gained market share within the carbonated soft drink and flavored cola categories in both the quarter and full year.

- We were also encouraged with the rollout of **Pepsi Prebiotic**, which sold out in less than 30 hours after its U.S. debut on Black Friday (November 28, 2025). This product comes in two varieties – Original Cola and Cherry Vanilla – and features just 30 calories, 5 grams of sugar and 3 grams of prebiotic fiber with no artificial sweeteners. **Pepsi Prebiotic** will soon be expanding its distribution and presence nationally.
- **Trademark Mountain Dew** market share trends improved sequentially as flavor extensions helped boost excitement among consumers. **Mug Root Beer** also continued to deliver good volume and net revenue growth in both the fourth quarter and in the full year.
- **poppi,** a modern soda with prebiotics, continues to resonate well with consumers, delivering strong performance and market share improvement during the fourth quarter and full year within the liquid refreshment beverage and carbonated soft drink categories. **poppi** delivered 2025 estimated retail sales of nearly $745 million – an increase of more than 45 percent versus 2024.
- We also gained market share in enhanced water, with functional hydration offerings such as **Propel** continuing to deliver strong volume and net revenue growth in the fourth quarter and in the full year. **Propel** retail sales have more than doubled since 2019 to over $1 billion in estimated annual retail sales in 2025. Within Sports Drinks, **Gatorade Zero Sugar** continued to perform well, with market share improvement in the fourth quarter and full year.
- We announced a transfer of ownership of the Rockstar Energy brand in the U.S. and Canada to Celsius Holdings. PepsiCo now leads distribution for all three Celsius-owned energy brands in the U.S. – Celsius®, Rockstar, and Alani Nu – allowing us to further scale and expand distribution and streamline our commercial strategy. Alani Nu has been successfully transitioned into our U.S. Direct Store Delivery distribution network, and we remain excited about its future potential.
- Our **away-from-home business** continued to perform well and delivered mid-single-digit net revenue growth in both the fourth quarter and the full year as we continued to expand our offerings, including a sharper focus on new meal occasions, winning in local restaurants, building on national partnerships with **Yum Brands** and **Subway** and activating **"DRIPS by Pepsi"** with **Formula 1** in Las Vegas.

Moving forward, PBNA aims to accelerate growth and make strong progress towards a mid-teens core operating margin target. To accelerate growth in 2026, the business will:

- **Restage the Gatorade brand by:**
  - Introducing **Gatorade Lower Sugar** with no artificial colors or flavors;
  - Improving its visual identity and enhancing optionality with tablets and powders to offer more customization and convenience to consumers; and
  - Amplifying and focusing brand communications on superior hydration attributes.

- **Refresh and reshape the portfolio with new varieties and functional innovation, such as:**
  - **Pepsi Prebiotic** with no artificial sweeteners and low sugar;
  - **Muscle Milk** with no artificial flavors or sweeteners;
  - **Starbucks** Coffee & Protein;
  - **Pure Leaf** Mental Focus;
  - **Propel** Protein Water;
  - Zero sugar platforms and capabilities across brands;
  - Gatorade and Propel **tablets and enhancers**; and
  - **Dirty Mountain Dew Cream Soda**, tapping into the growing dirty soda space.

- **Expand its presence in away-from-home channels through:**
  - Crafted and customized offerings such as "**DRIPS by Pepsi**";
  - A diverse range of flavor offerings to pair with meal combinations at restaurant partners; and
  - Building additional presence and reach with **poppi**, **Celsius** and **Alani Nu**.

PBNA also expects to deliver a sixth consecutive year of core operating margin expansion in 2026 and progress towards a mid-teens core operating margin target by:

- Increasing automation at its facilities;
- Further optimizing its manufacturing footprint;
- Reducing transportation and logistics costs;
- Rearchitecting its go-to-market system to focus on in-store selling and merchandising;
- Further mitigating the impact of tariff costs through incremental productivity initiatives, sourcing flexibility and sharper revenue management;
- Optimizing advertising and marketing dollars with in-house content development capabilities, greater digital mix and a reduction of non-working spend; and
- Reducing SKUs to remove certain complexities.

PepsiCo Foods North America (PFNA) net revenue growth accelerated sequentially to 1.5 percent, reflecting an improvement in organic revenue and volume trends. We were also encouraged to see U.S. savory and salty category retail sales growth accelerating sequentially, with category growth rates improving as 2025 progressed.

Core operating margin declined as the business lapped certain non-operating benefits from the fourth quarter of 2024. When excluding non-operating benefits from the prior year, core operating margin improved in the fourth quarter, aided by significant productivity savings.

Commercial highlights:

- In the fourth quarter, we gained market share in subcategories including curls and puffs, pretzels, wavy grain chips (Sun Chips), pork rinds, snack bars, grits, flavored pasta and flavored rice mix. We also saw improvements in our market share trends versus the previous quarter in potato chips, popcorn, variety multipacks, fruit/veggie chips, pancake syrup, hot cereal, ancient grains and mac & cheese.

- We continued to introduce additional snack offerings without artificial flavors or dyes with the launches of **NKD Doritos and Cheetos** to complement the existing lineup of products such as Sun Chips, Miss Vickie's and Quaker rice cakes, which each delivering double-digit net revenue growth in the quarter. For the full year, Sun Chips ranked as the #1 permissible salty snack brand based on retail sales.
- We continued to leverage our revenue management and price pack architecture capabilities to offer consumers more value, convenience and portion control by optimizing our trade promotional activity, enhancing affordability on single serve packages and multipacks and continuing to expand the presence and reach of our minis canisters. During the quarter, minis canisters delivered double-digit net revenue growth and market share trends for variety multi-packs improved sequentially.
- We increased distribution of value brands such as Chester's, which delivered high-single-digit net revenue growth, and Munchos, which delivered mid-single-digit net revenue growth.
- The **away-from-home business** continued to grow volume and net revenue, aided by new occasions in meals and the continued growth of the successful Walking Taco platform – an innovation inspired by street food and festivals that allows consumers to add protein and other toppings to their favorite PepsiCo chips and eat their creation on the go – and product inclusions on meal deals offered by restaurant partners.

As we look ahead, we are refreshing iconic brands, introducing innovation in emerging and functional spaces, sharpening affordability initiatives, driving operational excellence and reducing costs. We expect the benefits of these actions to improve the financial performance of this business starting in the first quarter of 2026. Specific actions and initiatives include:

Refreshing Iconic Brands

- We are restaging large, iconic global brands such as Lay's, Tostitos and Quaker.
- These brands are being relaunched in the U.S. (and globally) with new visuals, marketing, and positioning for the brands that feature simple, quality ingredients with no artificial colors or flavors and functional benefits associated with many Quaker-branded products.
- Active brand communication and strong in-store merchandising / display activity will further amplify visibility to consumers.
- The Lay's restage has begun rolling out in the U.S. and globally with Tostitos and Quaker to follow as the year progresses.

Accelerating Portfolio Transformation with Innovation in Emerging and Functional Spaces

- We continue to expand offerings within large, iconic brands,, build scale within the $2 billion-plus permissible portfolio, and innovate towards emerging and functional spaces, including:

- **Doritos and Cheetos NKD** that contain no artificial colors or flavors;
- **Miss Vickie's, Baked Lay's** and **Lay's Kettle** made with **avocado oil or olive oil**;
- **Sun Chips, Siete and Sabra,** which meet consumer needs for fiber, whole grains or protein – Sun Chips and Siete (in aggregate) delivered more than 16 percent retail sales growth and nearly $1 billion in retail sales in 2025;
- **Doritos Protein** and new protein-packed meat snacks; and
- **Quaker, Sun Chips, PopCorners** and **Smartfood** varieties that will feature fiber, whole grains or protein.

Broadening Affordability Initiatives

- Following extensive consumer feedback around affordability limitations and subsequent market tests on sharper price points during the second half of 2025, we have begun offering greater affordability on certain packages of iconic brands (such as Lay's, Tostitos, Doritos and Cheetos).
- These initiatives aim to improve the purchase frequency of our brands with consumers.
- Customers have expressed enthusiasm and support for our commercial plans, and we expect in-store points of presence to increase during the first half of 2026.

Expanding Away-From-Home

- We are continuing to expand the presence and availability of offerings within the away-from-home channel. This channel builds brands, captures new occasions and drives profitable growth. Examples of initiatives include:

  - Expanding into new occasions in meals, including the presence and availability of our successful **Walking Taco** platform – which delivered strong double-digit growth in 2025 – through concessions across stadiums, arenas and parks;
  - Partnering on meal innovations through well recognized brands such as **Doritos** with **Doritos Loaded**, **Doritos Footlong Nacho** and **Doritos Locos Tacos**;
  - Providing flavor solutions for prepared on-the-go foods and meals in traditional retail stores with popular varieties such as **Flamin' Hot** and **Cool Ranch**;
  - Building the presence and availability of diverse and functional brands such as **Siete** and **Sabra**; and
  - Engaging with consumers through our **Lay's sponsorship with FIFA** on the upcoming 2026 FIFA World Cup.

Cost Reduction and Operational Excellence

- To provide appropriate support for these commercial initiatives and improve profitability, we have accelerated our cost reduction efforts and improved the focus on operational excellence. We continued to make good progress in the fourth quarter with improved service levels, order fill rates and lower costs per unit. Key initiatives include:

  - Actions to right size operating costs across our value chain, reduce waste and drive more asset-based productivity – for example, across our North America

operations, reductions in full-time headcount result in an improvement in pounds sold, cases shipped and selling expenses per employee;
    - The closure of three plants, consolidation of several manufacturing lines and improved route efficiencies, with additional actions planned for the near future;
    - Prioritizing innovation activity and a plan to reduce nearly 20 percent of SKUs in the U.S. during the first half of 2026;
    - Continuing to consolidate our distribution network;
    - Implementing more efficient trade promotional spending; and
    - Tightly managing general and administrative costs and streamlining work.

International Business Review

Our $38 billion International business (which represented more than 40 percent of PepsiCo net revenue and core segment operating profit in 2025) delivered 4.5 percent organic revenue growth in 2025. Convenient Foods delivered 3.5 percent organic revenue growth, while Beverages delivered 7 percent organic revenue growth for the full year.

Core operating margin expanded 85 basis points for the full year, compared to 160 basis points of core operating margin expansion in the prior year.

For the full year, our Convenient Foods organic revenue growth was led by markets including Mexico, Brazil, Argentina, Colombia, India, Egypt, Germany, Türkiye, Saudi Arabia and Thailand, while in the Beverage business, organic revenue growth was led by markets including Mexico, Argentina, U.K., Germany, Spain, France, Poland, Egypt, Türkiye, Pakistan and Australia.

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

During the fourth quarter, the International business delivered more than 4 percent organic revenue growth, the 19th consecutive quarter in which we delivered at least mid-single-digit organic revenue growth. Convenient Foods delivered 4.5 percent organic revenue growth, while Beverages delivered 4 percent organic revenue growth.

International core operating profit rose 27 percent in the fourth quarter, aided by International core operating margin expansion of 225 basis points, compared to 255 basis points of core operating margin expansion in the prior year quarter.

We continue to see a long runway for profitable growth in our International business as we aim to significantly increase its size and scale, tailored by the differentiated needs across countries and geographies. To accomplish this, we are:

- Expanding variety of offerings with baked, air-fried and low or no sugar options, while also integrating functional benefits into our products – such as protein, fiber, whole grains and diverse ingredients or cooking oils;
- Continuing to scale and lift large, existing brands across markets to capture consumption across different dayparts and penetration opportunities – for example, we aim to accelerate customized product solutions for meal/culinary occasions and away-from-home channels in developed and select developing markets with Lay's, Doritos, Tostitos and Pepsi, while also expanding our presence in the global energy category with Sting;
- Sharpening our price pack architecture to enhance affordability;
- Emphasizing local relevance with respect to product and flavor innovation and consumer engagement activities through bold, customized flavor profiles and focused communication during market-specific holidays, key sporting events and relevant celebratory occasions – for example, we will leverage our partnerships with FIFA, UEFA Champions League and F1 to capture incremental occasions and experiences; and
- Expanding product availability and presence through more distribution in developing and emerging markets and greater penetration into existing and emerging channels in developed markets.

Outlook and Guidance

We maintain a heightened sense of urgency to improve our competitiveness and financial performance in 2026. This means accelerating annual organic revenue growth, improving core operating profit margin and delivering improved core EPS growth versus fiscal 2025 by:

- Improving **PepsiCo Foods North America** performance with more options in emerging and functional spaces, sharper price points for mainstream brands and significant productivity actions to help fund these commercial initiatives;
- Accelerating performance at **PepsiCo Beverages North America** with additional innovation in functional and emerging spaces and benefits from portfolio reshaping actions within the energy and modern soda categories – while making good progress towards a mid-teens core annual operating margin target; and
- Delivering resilient growth and core annual operating margin expansion within the **International business**.

Beyond the aggressive cost reduction actions discussed within North America, we also intend to advance and accelerate our global productivity initiatives through more automation, digitalization and simplification initiatives. We aim to deliver a record year of productivity savings in 2026 and continue to expect at least 100 basis points of core operating margin expansion in aggregate over the next three fiscal years. Examples of productivity initiatives include:

- SKU optimization and reduced complexity;
- Continued automation at our plants, warehouses and distribution centers;
- Right-sizing manufacturing, warehousing and distribution assets and labor;

- Reducing waste throughout our value chain;
- Standardizing and simplifying our ways of working across processes, capabilities and services by leveraging the scale of Global Capability Centers, which support multiple functions and reduce duplicative work to better operate as One PepsiCo; and
- Accelerating technology and AI deployment to enable efficiencies across the value chain.

As a result, for fiscal 2026, the Company continues to expect:

- Organic revenue to increase between 2 and 4 percent;
- Core constant currency EPS to increase between 4 and 6 percent; and
- A core annual effective tax rate of approximately 22 percent.

Additionally, the company continues to expect capital spending to be below 5 percent of net revenue and a free cash flow conversion ratio of at least 80 percent (which includes a final tax payment of nearly $1 billion related to the Tax Cuts and Jobs Act of 2017) and at least 90 percent in 2027.

The Company also continues to expect a foreign exchange translation tailwind of approximately 1 percentage point to benefit reported net revenue and core EPS, based on current foreign exchange rates. Acquisitions, net of divestitures, that occurred in 2025 are expected to contribute approximately 1 percentage point to reported net revenue growth in 2026.

The assumptions and the guidance above imply net revenue growth within a range of 4 to 6 percent and core EPS growth of approximately 5 to 7 percent in fiscal 2026 – or approximately 7 to 9 percent when excluding the impact of global minimum tax regulations.

We're committed to returning significant cash to shareholders. We announced a 4 percent increase in the annualized dividend, effective with the expected June 2026 dividend payment. This will represent PepsiCo's 54th consecutive annualized dividend per share increase.

In addition, for 2026, we expect to repurchase approximately $1 billion of shares. Therefore, total cash returns to shareholders will increase to approximately $8.9 billion, which includes approximately $7.9 billion in cash dividends and $1 billion of 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. We thank you for your time and interest in PepsiCo.

Ramon Laguarta
Chairman and Chief Executive Officer

Steve Schmitt
Chief Financial Officer