



Second Quarter 2024
Prepared Management Remarks
July 11, 2024

Please view these remarks in conjunction with our Q2 2024 earnings release, Q2 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 2024 guidance. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, July 11, 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 Q2 2024 earnings release and Q2 2024 Form 10-Q, available on [pepsico.com](https://www.pepsico.com), for definitions and reconciliations of non-GAAP measures and additional information regarding our results, including a discussion of factors that could cause actual results to materially differ from forward-looking statements.

As a reminder, our financial results in the United States and Canada (North America) are reported on a 12-week basis while our international operations report on a monthly calendar basis for which the entire months of March, April and May are reflected in our results for the 12 weeks ended June 15, 2024.

Chairman and CEO and Executive Vice President and CFO Commentary

In the second quarter of 2024, we grew organic revenue and delivered strong core gross margin and core operating margin expansion and double-digit core constant currency EPS growth, despite facing difficult comparisons versus the prior year and subdued category demand within our North America convenient foods businesses. Specifically:

- PepsiCo delivered 1.9 percent organic revenue growth, which compares to 13 percent organic revenue growth in the second quarter of 2023. Our two-year compounded organic revenue growth for the second quarter was 7.3 percent.
- The performance of our Quaker Foods North America business – which was significantly impacted by certain product recalls – detracted approximately 60 basis points from our total organic revenue growth rate in the second quarter.
- Core gross margin expanded 120 basis points and core operating margin expanded 105 basis points versus the previous year, as we continued to deliver strong end-to-end productivity initiatives, partially offset by planned business investments.
- Core constant currency EPS increased 10 percent, which compares to 15 percent core constant currency EPS growth in the second quarter of 2023. Our two-year compounded core constant currency EPS growth for the second quarter was 12 percent.
- Our International business delivered 5.5 percent organic revenue growth, 10 percent core operating profit growth and strong core operating margin expansion. This compares to 15 percent organic revenue growth in the second quarter of 2023.
- In North America, our business performance was led by PepsiCo Beverages where sequential volume trends improved and core operating margin expanded by 200 basis points as we continued to focus on delivering profitable growth.

As we look ahead to the balance of the year:

- We will remain focused on providing good value to consumers by offering great-tasting products that offer variety, convenience, and affordability;
- We will further elevate and accelerate our productivity initiatives across our entire organization. Additional productivity savings will primarily be utilized to support highly disciplined commercial investments and amplified advertising and marketing aimed at accelerating demand in certain areas of our business; and
- We expect our international performance to remain resilient, while our performance in North America should gradually improve as we accelerate our commercial activities and investments to stimulate growth, the impacts associated with certain product recalls moderate and comparisons ease.

Given the factors mentioned above and considering our financial performance year-to-date:

- We now expect to deliver approximately 4 percent organic revenue growth (previously at least 4 percent). This modification primarily reflects the subdued performance in North America convenient foods year-to-date; and

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- We have a high degree of confidence in delivering at least 8 percent core constant currency EPS growth.

Second Quarter North America Divisions Review

Frito-Lay North America posted a slight decline in organic revenue, which compares to 14 percent organic revenue growth in the second quarter of 2023. Two-year compounded organic revenue growth was 7 percent for the second quarter.

Core operating profit declined 3 percent in the quarter, which compares to strong 14 percent core operating profit growth during the second quarter of 2023.

Our business has performed and executed well in a dynamic environment since 2020. Following significant investments in our brands, capacity, supply chain and go-to-market systems, we have gained more than 200 basis points of value share within savory snacks and grown our annual net revenue by nearly \$7 billion between 2020 and 2023.

However, the impacts of persistent inflationary pressures and higher borrowing costs over the last few years have resulted in tighter household financial conditions. Accordingly, the year-to-date performance across many food categories, including snacks, has been subdued and consumers have become more value-conscious with their spending patterns and preferences across brands, packages, and channels.

As a result, we have set a clear agenda to address shifting consumer preferences, including a sharp focus on providing the right value equation by brand, package, and channel through well-constructed brand ladders to stimulate category growth. And we firmly believe that the breadth and depth of our portfolio and our extensive marketplace reach position us well to compete successfully in this dynamic environment by:

- Extending our large, trusted brands such as Lay's, Tostitos, Doritos, Cheetos, and Ruffles which offer multiple flavor and texture profiles and a suite of permissible options – such as Flamin' Hot, Lightly Salted, Baked and Simply – to suit various consumer preferences;
- Offering a broad array of price tiers that enable us to provide optionality across brands, flavors, packages, and channels. Our variety multipacks are a good example, providing a vast array of combinations of leading brands across multiple counts and price points to satisfy different occasions;
- Advancing our permissible snack portfolio including brands such as PopCorners, Smartfood, SunChips, Bare and Off the Eaten Path. Our permissible snacks retail sales¹ continue to outperform within our portfolio of brands;
- Expanding offerings that appeal to multi-cultural cohorts. For example, within our multi-cultural portfolio, brands such as Sabritas and Gamesa are also outperforming and delivered double-digit retail sales¹ growth in the quarter; and
- Growing our presence across channels which enables us to be “everywhere” our consumer shops.

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As we look ahead, we will further elevate and accelerate our productivity initiatives. Additional productivity savings will primarily be utilized to support highly disciplined commercial investments in the marketplace aimed at accelerating category growth and the growth of our brands by:

- Investing with precision – by brand, package, and channel – to drive higher frequency with shoppers seeking greater affordability;
- Prudently adjusting promotional programs to achieve greater in-store visibility and shopper demand for our large brands;
- Expanding our presence in fast-growing channels – such as the away-from-home channel, which delivered high-single-digit net revenue growth in the quarter; and
- Accelerating the growth of our permissible portfolio which has delivered \$2 billion in retail sales¹ over the last 52 weeks.

Quaker Foods North America organic revenue declined 18 percent and reflects the continued impact of product recalls and subdued category performance. Core operating profit declined 23 percent and primarily reflects the impacts associated with the product recalls and certain inflationary pressures.

We continue to make progress in resuming production of items affected by the recalls and expect the revenue impacts associated with these product recalls to moderate as the year progresses.

PepsiCo Beverages North America delivered 1 percent organic revenue growth in the second quarter of 2024, which compares to 10 percent organic revenue growth in the second quarter of 2023. Core operating profit increased 17 percent and core operating margin expanded 200 basis points, which represents the fourth consecutive quarter of core operating margin improvement.

Net revenue growth accelerated sequentially for Pepsi and Mountain Dew, as zero sugar variants and certain flavor extensions continued to perform well. We were also pleased to see our Gatorade brand gain market share in the sports drinks category in the second quarter. Other brands such as Bubly and Propel delivered double-digit and mid-single-digit net revenue growth, respectively, in the second quarter.

As we move ahead, our business will continue to focus on driving profitable growth by:

- Scaling our positive choice offerings such as the zero sugar variants that can now be found across our portfolio of key brands including Pepsi, Mountain Dew, Gatorade, Starry, Mug, Rockstar and most recently, Lipton Pure Leaf;
- Extending our sports nutrition and hydration solutions with our Gatorade, Propel, Bubly and LifeWTR brands – which includes our continued initiatives to expand beyond the bottle at Gatorade and Propel with enhancers, tablets, and powders;
- Advancing our presence within the highly profitable energy drink category through our existing brands and successful distribution partnership with Celsius; and
- Expanding our beverage footprint through targeted execution and scaled distribution of

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our brands across channels and elevating our away-from-home presence. We recently announced an 8-year partnership with Topgolf to provide an assortment of our beverages as well as one-of-a-kind experiences and were recently selected by Subway as their preferred beverage partner in the United States for a 10-year term beginning January 1, 2025.

We continue to see the foodservice channel as an important growth opportunity which has performed well delivering mid-single-digit net revenue growth during the quarter. Consumers also continued to conveniently shop the eCommerce channel, which delivered double-digit net revenue growth in the quarter.

We also remain very committed to continue 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;
- Better utilizing the scale of our direct store distribution system within the sports drinks and energy categories; and
- Optimizing our advertising and marketing spend.

Second Quarter International Business Review

International organic revenue increased 5.5 percent – the thirteenth 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. Year-to-date, our international organic revenue has increased 7 percent.

Our International convenient foods business delivered 3.5 percent organic revenue growth in the second quarter and 5.5 percent organic revenue growth year-to-date. Our International beverages business delivered 10 percent organic revenue growth both in the second quarter and year-to-date.

In addition, core operating profit increased 10 percent – with core operating margin increasing 125 basis points. Year-to-date, core operating profit has increased 14 percent – with core operating margin increasing 145 basis points.

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

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and convenience, and elevate our focus on productivity to help fund investments for future growth.

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

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

We continue to see a long runway for 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 are confident that our businesses will remain resilient as we operate in attractive, growing categories with large, trusted brands that offer convenience, variety, availability, and affordability.

However, a normalization and moderation in category growth rates versus the last few years has occurred with consumers remaining watchful with their budgets and choiceful with their purchases. Therefore, we are elevating our focus on judicious investments that can offer optimal value propositions with greater precision and agility through our consumer-centric brand, flavor and package combinations and go-to-market distribution capabilities.

These investments will surgically target certain segments of our brand and package offerings where more value, amplified advertising and marketing and more precise marketplace execution are needed and will primarily be directed towards Frito-Lay North America.

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

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

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- Advancing pep+ (PepsiCo Positive), our agenda designed to drive positive action for the planet and people.

To help mitigate certain inflationary pressures and support our commercial investments, we will further 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.

As a result, for fiscal 2024, we now expect to deliver approximately 4 percent organic revenue growth (previously at least 4 percent). Geographically, we continue to expect International organic revenue growth to exceed North America organic revenue growth.

Geopolitical tensions and macroeconomic volatility are expected to remain elevated, while disruptions associated with ongoing conflicts in certain international markets may persist. Separately, we expect the revenue impacts associated with product recalls at Quaker Foods North America to moderate in the second half of this year.

We continue to expect a core annual effective tax rate of 20 percent and have a high degree of confidence in our ability to deliver at least 8 percent core constant currency EPS growth. 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 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.

Before we conclude, we would like to provide an update on our ESG initiatives. We are pleased to share that we recently published our 2023 ESG Summary, which summarizes our efforts on our pep+ goals as part of our strategic end-to-end transformation designed to drive long-term sustainable performance and promote positive change for the planet and people. For example, in 2023, we:

- Reduced Scope 1 and 2 emissions by 13% year over year and total Scope 1, 2 and 3 emissions by 5% year over year²;
- Reduced our use of virgin plastic derived from non-renewable sources by 4% year over year³;
- Doubled our global regenerative farming footprint to more than 1.8 million acres⁴;

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- Recorded a 25% improvement in operational water-use efficiency at high water-risk company-owned locations when compared to a 2015 baseline—reaching this goal two years ahead of schedule⁵; and
- Reduced added sugars, sodium, and saturated fat across our beverage and foods portfolios—getting us more than 83% of the way toward our 2025 targets—and added new goals to increase diverse ingredients and further reduce sodium.

To conclude, we 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

¹ Per Circana Data

² Reduced Scope 1 and 2 emissions by 33% and total Scope 1, 2 and 3 emissions by 4% measured versus a 2015 baseline. In 2023, approximately 80% of the Company’s direct global electricity needs were met with renewable electricity mechanisms, including on-site solar, off-site power purchase agreements and renewable energy credits

³ Absolute tonnage of virgin plastic derived from non-renewable sources increased by 6% measured versus a 2020 baseline

⁴ PepsiCo considers an acre as delivering regenerative impact when the adoption of regenerative agriculture practices results in quantified improvements across at least two of the environmental outcome areas, with a strong preference for removing or reducing GHG emissions to be one impact area. Refer to PepsiCo’s Regenerative Agriculture Practice Bank for a comprehensive listing of practices directly or indirectly linked to the five impact areas. Regenerative acres reported represent the annual count in each year presented based on actions undertaken since 2021 Metric

⁵ Measured versus a 2015 baseline. Goal reflects the exclusion of third-party facilities. Between 2006–2015, water-use efficiency improved by 26% in global legacy operations at the date of target setting. World Resource Institute’s Aqueduct water stress assessment tool is used to reconfirm high water-risk areas every three years