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PEPSICO INC

Form 10-Q

April 17, 2019

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2017-12-31 2018-03-24 0000077476 us-gaap:CommodityContractMember us-gaap:CashFlowHedgingMember
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2018-12-30 2019-03-23 0000077476
us-gaap:ForeignExchangeForwardMember us-gaap:CashFlowHedgingMember us-gaap:CostOfSalesMember
2017-12-31 2018-03-24 0000077476 us-gaap:CommodityContractMember us-gaap:CashFlowHedgingMember
us-gaap:SellingGeneralAndAdministrativeExpensesMember 2017-12-31 2018-03-24 0000077476
us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember us-gaap:InterestExpenseMember
2018-12-30 2019-03-23 0000077476 2017-01-01 2017-12-30 0000077476 pep:EuropeSubSaharanAfricaMember
2017-12-31 2018-12-29 xbrli:pure iso4217:USD iso4217:USD xbrli:shares xbrli:shares iso4217:EUR

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 23, 2019 (12 weeks)

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-1183

PepsiCo, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction of
Incorporation or Organization)

13-1584302

(I.R.S. Employer
Identification No.)

700 Anderson Hill Road, Purchase, New York 10577

(Address of Principal Executive Offices)

(Zip Code)

914-253-2000

(Registrant's
Telephone
Number,
Including
Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was

required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large
accelerated
Accelerated filer
filer

Non-accelerated
Smaller reporting company
filer

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Number of shares of Common Stock outstanding as of April 10, 2019 was 1,401,821,663.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Condensed Consolidated Financial Statements.****Condensed Consolidated Statement of Income**

PepsiCo, Inc. and Subsidiaries

(in millions except per share amounts, unaudited)

	12 Weeks Ended	
	3/23/2019	3/24/2018
Net Revenue	\$12,884	\$12,562
Cost of sales	5,688	5,655
Gross profit	7,196	6,907
Selling, general and administrative expenses	5,188	5,100
Operating Profit	2,008	1,807
Other pension and retiree medical benefits income	64	75
Interest expense	(267) (294
Interest income and other	63	69
Income before income taxes	1,868	1,657
Provision for income taxes	446	304
Net income	1,422	1,353
Less: Net income attributable to noncontrolling interests	9	10
Net Income Attributable to PepsiCo	\$1,413	\$1,343
Net Income Attributable to PepsiCo per Common Share		
Basic	\$1.01	\$0.94
Diluted	\$1.00	\$0.94
Weighted-average common shares outstanding		
Basic	1,406	1,420
Diluted	1,413	1,430

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**Condensed Consolidated Statement of Comprehensive Income**

PepsiCo, Inc. and Subsidiaries

(in millions, unaudited)

	12 Weeks Ended	
	3/23/2019/24/2018	
Net income	\$1,422	\$ 1,353
Other comprehensive income/(loss), net of taxes:		
Net currency translation adjustment	473	290
Net change on cash flow hedges	(27)) 28
Net pension and retiree medical adjustments	17	24
Net change on available-for-sale securities	—	(2)
	463	340
Comprehensive income	1,885	1,693
Comprehensive income attributable to noncontrolling interests	(9)) (10)
Comprehensive Income Attributable to PepsiCo	\$1,876	\$ 1,683

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Statement of Cash Flows
PepsiCo, Inc. and Subsidiaries
(in millions, unaudited)

	12 Weeks Ended	
	3/23/2019 / 3/24/2018	
Operating Activities		
Net income	\$1,422	\$ 1,353
Depreciation and amortization	498	496
Share-based compensation expense	57	80
Restructuring and impairment charges	26	12
Cash payments for restructuring charges	(52)	(39)
Pension and retiree medical plan expenses	47	46
Pension and retiree medical plan contributions	(260)	(1,521)
Deferred income taxes and other tax charges and credits	216	49
Tax (benefits)/net tax expense related to the Tax Cuts and Jobs Act (TCJ Act)	(29)	1
Change in assets and liabilities:		
Accounts and notes receivable	(406)	(162)
Inventories	(435)	(383)
Prepaid expenses and other current assets	(382)	(347)
Accounts payable and other current liabilities	(1,207)	(1,050)
Income taxes payable	120	178
Other, net	40	(22)
Net Cash Used for Operating Activities	(345)	(1,309)
Investing Activities		
Capital spending	(442)	(352)
Sales of property, plant and equipment	2	9
Acquisition of SodaStream International Ltd. (SodaStream)	(1,807)	—
Other acquisitions and investments in noncontrolled affiliates	(56)	(36)
Divestitures	—	42
Short-term investments, by original maturity:		
More than three months - purchases	—	(3,416)
More than three months - maturities	—	4,609
More than three months - sales	—	533
Three months or less, net	9	7
Other investing, net	(6)	—
Net Cash (Used for)/Provided by Investing Activities	(2,300)	1,396
Financing Activities		
Proceeds from issuances of long-term debt	1,122	—
Payments of long-term debt	(1,851)	—
Short-term borrowings, by original maturity:		
More than three months - proceeds	2	—
More than three months - payments	—	(1)
Three months or less, net	115	4,291
Cash dividends paid	(1,332)	(1,160)
Share repurchases - common	(940)	(493)

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Share repurchases - preferred	—	(2)
Proceeds from exercises of stock options	103	125
Withholding tax payments on restricted stock units (RSUs), performance stock units (PSUs) and PepsiCo equity performance units (PEPunits) converted	(93)	(76)
Other financing	(2)	(2)
Net Cash (Used for)/Provided by Financing Activities	(2,876)	2,682
Effect of exchange rate changes on cash and cash equivalents and restricted cash	57	49
Net (Decrease)/Increase in Cash and Cash Equivalents and Restricted Cash	(5,464)	2,818
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	10,769	10,657
Cash and Cash Equivalents and Restricted Cash, End of Period	\$5,305	\$13,475

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**Condensed Consolidated Balance Sheet**

PepsiCo, Inc. and Subsidiaries

(in millions except per share amounts)

	(Unaudited)	
	3/23/2019	12/29/2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,072	\$ 8,721
Short-term investments	289	272
Restricted cash	190	1,997
Accounts and notes receivable, less allowance: 3/19 - \$113 and 12/18 - \$101	7,604	7,142
Inventories:		
Raw materials and packaging	1,438	1,312
Work-in-process	257	178
Finished goods	1,859	1,638
	3,554	3,128
Prepaid expenses and other current assets	1,208	633
Total Current Assets	17,917	21,893
Property, plant and equipment	40,245	40,164
Accumulated depreciation	(22,695)	(22,575)
	17,550	17,589
Amortizable Intangible Assets, net	1,641	1,644
Goodwill	14,945	14,808
Other indefinite-lived intangible assets	14,334	14,181
Indefinite-Lived Intangible Assets	29,279	28,989
Investments in Noncontrolled Affiliates	2,476	2,409
Deferred Income Taxes	4,361	4,364
Other Assets	2,242	760
Total Assets	\$ 75,466	\$ 77,648
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt obligations	\$ 3,291	\$ 4,026
Accounts payable and other current liabilities	15,799	18,112
Total Current Liabilities	19,090	22,138
Long-Term Debt Obligations	28,458	28,295
Deferred Income Taxes	3,619	3,499
Other Liabilities	10,003	9,114
Total Liabilities	61,170	