

PEPSICO INC
Form 10-Q
July 25, 2012
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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 June 16, 2012 (24 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

13-1584302
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

700 Anderson Hill Road, Purchase, New York
(Address of Principal Executive Offices)

10577
(Zip Code)

914-253-2000
(Registrant's Telephone Number, Including Area Code)

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES NO

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 July 16, 2012: 1,556,274,656

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PEPSICO, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(in millions except per share amounts, unaudited)

	12 Weeks Ended		24 Weeks Ended	
	6/16/12	6/11/11	6/16/12	6/11/11
Net Revenue	\$ 16,458	\$ 16,827	\$ 28,886	\$ 28,764
Cost of sales	7,915	7,963	13,804	13,410
Selling, general and administrative expenses	6,136	6,070	10,928	10,809
Amortization of intangible assets	30	40	55	65
Operating Profit	2,377	2,754	4,099	4,480
Interest expense	(209)	(199)	(407)	(379)
Interest income and other	1	20	24	37
Income before income taxes	2,169	2,575	3,716	4,138
Provision for income taxes	668	670	1,082	1,089
Net income	1,501	1,905	2,634	3,049
Less: Net income attributable to noncontrolling interests	13	20	19	21
Net Income Attributable to PepsiCo	\$ 1,488	\$ 1,885	\$ 2,615	\$ 3,028
Net Income Attributable to PepsiCo per Common Share				
Basic	\$ 0.95	\$ 1.19	\$ 1.67	\$ 1.91
Diluted	\$ 0.94	\$ 1.17	\$ 1.65	\$ 1.89
Weighted-average common shares outstanding				
Basic	1,563	1,583	1,565	1,583
Diluted	1,581	1,605	1,583	1,605
Cash dividends declared per common share	\$ 0.5375	\$ 0.515	\$ 1.0525	\$ 0.995

See accompanying notes to the condensed consolidated financial statements.

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PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME

(in millions, unaudited)

	12 Weeks Ended		24 Weeks Ended	
	6/16/12	6/11/11	6/16/12	6/11/11
Net Income	\$ 1,501	\$ 1,905	\$ 2,634	\$ 3,049
Other Comprehensive (Loss)/Income				
Currency translation adjustment	(2,231)	809	(544)	1,454
Cash flow hedges, net of tax:				
Net derivative losses ^(a)	(11)	(25)	(25)	(17)
Reclassification of net losses to net income ^(b)	17	3	24	7
Pension and retiree medical, net of tax:				
Reclassification of losses to net income ^(c)	61	26	86	23
Remeasurement of net liabilities ^(d)			7	
Unrealized (losses)/gains on securities, net of tax ^(e)	(10)	11	3	(2)
Other		1	36	(17)
Total Other Comprehensive (Loss)/Income	(2,174)	825	(413)	1,448
Comprehensive (Loss)/Income	(673)	2,730	2,221	4,497
Comprehensive income attributable to noncontrolling interests	(11)	(64)	(13)	(93)
Comprehensive (Loss)/Income Attributable to PepsiCo	\$ (684)	\$ 2,666	\$ 2,208	\$ 4,404

^(a) Net of tax benefits of \$11 million and \$12 million for the 12 and 24 weeks in 2012, respectively. Net of tax benefits of \$7 million and tax expense of \$6 million for the 12 and 24 weeks in 2011, respectively.

^(b) Net of tax benefits of \$9 million and \$14 million for the 12 and 24 weeks in 2012, respectively. Net of tax expense of \$3 million and \$5 million for the 12 and 24 weeks in 2011, respectively.

^(c) Net of tax benefits of \$29 million and \$44 million for the 12 and 24 weeks in 2012, respectively. Net of tax benefits of \$13 million and \$14 million for the 12 and 24 weeks in 2011, respectively.

^(d) Net of tax expense of \$4 million for the 24 weeks in 2012.

^(e) Net of tax expense of \$4 million and tax benefits of \$1 million for the 12 and 24 weeks in 2011, respectively.

See accompanying notes to the condensed consolidated financial statements.

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions, unaudited)

	24 Weeks Ended	
	6/16/12	6/11/11
Operating Activities		
Net income	\$ 2,634	\$ 3,049
Depreciation and amortization	1,201	1,187
Stock-based compensation expense	125	146
Restructuring and impairment charges	110	
Cash payments for restructuring charges	(140)	(1)
Merger and integration charges	5	113
Cash payments for merger and integration charges	(47)	(207)
Restructuring and other charges related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi)	163	
Cash payments for restructuring and other charges related to the transaction with Tingyi	(88)	
Excess tax benefits from share-based payment arrangements	(53)	(52)
Pension and retiree medical plan contributions	(1,169)	(116)
Pension and retiree medical plan expenses	271	254
Deferred income taxes and other tax charges and credits	85	(146)
Change in accounts and notes receivable	(1,084)	(1,491)
Change in inventories	(643)	(742)
Change in prepaid expenses and other current assets	(196)	(144)
Change in accounts payable and other current liabilities	(193)	(65)
Change in income taxes payable	432	849
Other, net	(166)	(281)
Net Cash Provided by Operating Activities	1,247	2,353
Investing Activities		
Capital spending	(901)	(1,231)
Sales of property, plant and equipment	42	34
Acquisition of Wimm-Bill-Dann Foods OJSC (WBD), net of cash and cash equivalents acquired		(2,428)
Investment in WBD		(164)
Cash payments related to the transaction with Tingyi	(298)	
Other acquisitions and investments in noncontrolled affiliates	(49)	(61)
Divestitures	14	
Short-term investments, by original maturity		
More than three months maturities		10
Three months or less, net	41	(10)
Other investing, net	13	(2)

Net Cash Used for Investing Activities	(1,138)	(3,852)
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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(in millions, unaudited)

	24 Weeks Ended	
	6/16/12	6/11/11
Financing Activities		
Proceeds from issuances of long-term debt	\$ 2,733	\$ 1,754
Payments of long-term debt	(1,034)	(285)
Short-term borrowings, by original maturity		
More than three months proceeds	53	180
More than three months payments	(189)	(152)
Three months or less, net	462	(290)
Cash dividends paid	(1,626)	(1,530)
Share repurchases common	(1,206)	(746)
Share repurchases preferred	(3)	(4)
Proceeds from exercises of stock options	496	652
Excess tax benefits from share-based payment arrangements	53	52
Acquisition of noncontrolling interests	(12)	(1,327)
Other financing	(19)	(3)
Net Cash Used for Financing Activities	(292)	(1,699)
Effect of exchange rate changes on cash and cash equivalents	(21)	168
Net Decrease in Cash and Cash Equivalents	(204)	(3,030)
Cash and Cash Equivalents, Beginning of Year	4,067	5,943
Cash and Cash Equivalents, End of Period	\$ 3,863	\$ 2,913

See accompanying notes to the condensed consolidated financial statements.

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PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

(in millions)

	(Unaudited) 6/16/12	12/31/11
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,863	\$ 4,067
Short-term investments	330	358
Accounts and notes receivable, less allowance: 6/12 \$159, 12/11 \$157	7,721	6,912
Inventories		
Raw materials	1,991	1,883
Work-in-process	351	207
Finished goods	1,932	1,737
	4,274	3,827
Prepaid expenses and other current assets	1,845	2,277
Total Current Assets	18,033	17,441
Property, Plant and Equipment	34,271	35,140
Accumulated Depreciation	(15,757)	(15,442)
	18,514	19,698
Amortizable Intangible Assets, net	1,809	1,888
Goodwill	16,456	16,800
Other Nonamortizable Intangible Assets	14,399	14,557
Nonamortizable Intangible Assets	30,855	31,357
Investments in Noncontrolled Affiliates	1,562	1,477
Other Assets	1,617	1,021
Total Assets	\$ 72,390	\$ 72,882

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

(in millions except per share amounts)

	(Unaudited) 6/16/12	12/31/11
Liabilities and Equity		
Current Liabilities		
Short-term obligations	\$ 7,038	\$ 6,205
Accounts payable and other current liabilities	11,153	11,757
Income taxes payable	78	192
Total Current Liabilities	18,269	18,154
Long-term Debt Obligations	21,294	20,568
Other Liabilities	7,365	8,266
Deferred Income Taxes	4,867	4,995
Total Liabilities	51,795	51,983
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(160)	(157)
PepsiCo Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 6/12 and 12/11 1,865 shares	31	31
Capital in excess of par value	4,223	4,461
Retained earnings	41,274	40,316
Accumulated other comprehensive loss	(6,636)	(6,229)
Less: repurchased common stock, at cost: 6/12 307 shares, 12/11 301 shares	(18,316)	(17,875)
Total PepsiCo Common Shareholders' Equity	20,576	20,704
Noncontrolling interests	138	311
Total Equity	20,595	20,899
Total Liabilities and Equity	\$ 72,390	\$ 72,882

See accompanying notes to the condensed consolidated financial statements.

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(in millions, unaudited)

	24 Weeks Ended			
	6/16/12		6/11/11	
	Shares	Amount	Shares	Amount
Preferred Stock	0.8	\$ 41	0.8	\$ 41
Repurchased Preferred Stock				
Balance, beginning of year	(0.6)	(157)	(0.6)	(150)
Redemptions	()	(3)	()	(4)
Balance, end of period	(0.6)	(160)	(0.6)	(154)
Common Stock	1,865	31	1,865	31
Capital in Excess of Par Value				
Balance, beginning of year		4,461		4,527
Stock-based compensation expense		125		146
Stock option exercises/RSUs converted ^(a)		(275)		(281)
Withholding tax on RSUs converted		(60)		(50)
Other		(28)		16
Balance, end of period		4,223		4,358
Retained Earnings				
Balance, beginning of year		40,316		37,090
Net income attributable to PepsiCo		2,615		3,028
Cash dividends declared common		(1,649)		(1,580)
Cash dividends declared preferred		(1)		(1)
Cash dividends declared RSUs		(7)		(10)
Balance, end of period		41,274		38,527
Accumulated Other Comprehensive Loss				
Balance, beginning of year		(6,229)		(3,630)
Currency translation adjustment		(538)		1,382
Cash flow hedges, net of tax:				
Net derivative losses		(25)		(17)
Reclassification of net losses to net income		24		7
Pension and retiree medical, net of tax:				
Reclassification of net losses to net income		86		23
Remeasurement of net liabilities		7		

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Unrealized gains/(losses) on securities, net of tax		3		(2)
Other		36		(17)
Balance, end of period		(6,636)		(2,254)
Repurchased Common Stock				
Balance, beginning of year	(301)	(17,875)	(284)	(16,745)
Share repurchases	(19)	(1,253)	(12)	(811)
Stock option exercises	11	676	14	858
Other	2	136	1	101
Balance, end of period	(307)	(18,316)	(281)	(16,597)
Total Common Shareholders Equity		20,576		24,065

Noncontrolling Interests