

PEPSICO INC

Form 10-Q

July 09, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 13, 2015 (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
Incorporation or Organization)

13-1584302
(I.R.S. Employer
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)

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 X 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 X 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 X

Accelerated filer

Non-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 X

Number of shares of Common Stock outstanding as of July 2, 2015 was 1,468,993,138.

Table of Contents

PepsiCo, Inc. and Subsidiaries

Table of Contents

	Page No.
Part I Financial Information	
Item 1. Condensed Consolidated Financial Statements	<u>3</u>
<u>Condensed Consolidated Statement of Income –</u> <u>12 and 24 Weeks Ended June 13, 2015 and June 14,</u> <u>2014</u>	<u>3</u>
Condensed Consolidated Statement of Comprehensive Income – 12 and 24 Weeks Ended June 13, 2015 and June 14, 2014	<u>4</u>
Condensed Consolidated Statement of Cash Flows – 24 Weeks Ended June 13, 2015 and June 14, 2014	<u>5</u>
Condensed Consolidated Balance Sheet – June 13, 2015 and December 27, 2014	<u>7</u>
Condensed Consolidated Statement of Equity – 24 Weeks Ended June 13, 2015 and June 14, 2014	<u>9</u>
<u>Notes to the Condensed Consolidated Financial Statements</u>	<u>10</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
Report of Independent Registered Public Accounting Firm	<u>45</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
Item 4. <u>Controls and Procedures</u>	<u>46</u>
Part II Other Information	
Item 1. <u>Legal Proceedings</u>	<u>47</u>
Item 1A. <u>Risk Factors</u>	<u>47</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
Item 5. Other Information	<u>49</u>
Item 6. <u>Exhibits</u>	<u>50</u>

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		24 Weeks Ended	
	6/13/15	6/14/14	6/13/15	6/14/14
Net Revenue	\$15,923	\$16,894	\$28,140	\$29,517
Cost of sales	7,167	7,778	12,609	13,525
Gross profit	8,756	9,116	15,531	15,992
Selling, general and administrative expenses	5,837	6,198	10,799	11,246
Amortization of intangible assets	19	22	35	43
Operating Profit	2,900	2,896	4,697	4,703
Interest expense	(217	) (209	) (428	) (410
Interest income and other	14	18	29	28
Income before income taxes	2,697	2,705	4,298	4,321
Provision for income taxes	703	718	1,073	1,107
Net income	1,994	1,987	3,225	3,214
Less: Net income attributable to noncontrolling interests	14	9	24	20
Net Income Attributable to PepsiCo	\$1,980	\$1,978	\$3,201	\$3,194
Net Income Attributable to PepsiCo per Common Share				
Basic	\$1.34	\$1.30	\$2.16	\$2.10
Diluted	\$1.33	\$1.29	\$2.14	\$2.08
Weighted-average common shares outstanding				
Basic	1,476	1,515	1,480	1,519
Diluted	1,491	1,532	1,497	1,536
Cash dividends declared per common share	\$0.7025	\$0.655	\$1.3575	\$1.2225

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 6/13/15			24 Weeks Ended 6/13/15		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			\$1,994			\$3,225
Other Comprehensive Income/(Loss)						
Currency translation adjustment	\$474	\$—	474	\$(507)	\$—	(507)
Cash flow hedges:						
Reclassification of net (gains)/losses to net income	(97)	) 33	(64)	82	(37)	) 45
Net derivative gains/(losses)	48	(20)	) 28	(107)	) 44	(63)
Pension and retiree medical:						
Reclassification of net losses to net income	58	(18)	) 40	109	(35)	) 74
Remeasurement of net liabilities and translation	(16)	) 5	(11)	15	(2)	) 13
Unrealized (losses)/gains on securities	(7)	) 4	(3)	9	(4)	) 5
Total Other Comprehensive Income/(Loss)	\$460	\$4	464	\$(399)	\$(34)	(433)
Comprehensive income			2,458			2,792
Comprehensive income attributable to noncontrolling interests			(13)			(23)
Comprehensive Income Attributable to PepsiCo			\$2,445			\$2,769
	12 Weeks Ended 6/14/14			24 Weeks Ended 6/14/14		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			\$1,987			\$3,214
Other Comprehensive Income/(Loss)						
Currency translation adjustment	\$460	\$—	460	\$(414)	\$—	(414)
Cash flow hedges:						
Reclassification of net losses to net income	11	(5)	) 6	21	(9)	) 12
Net derivative losses	(41)	) 12	(29)	(25)	) 7	(18)
Pension and retiree medical:						
Reclassification of net losses to net income	53	(17)	) 36	101	(33)	) 68
Remeasurement of net liabilities and translation	(13)	) 4	(9)	(10)	) 3	(7)
Unrealized (losses)/gains on securities	(7)	) 3	(4)	11	(6)	) 5
Total Other Comprehensive Income/(Loss)	\$463	\$(3)	460	\$(316)	\$(38)	(354)
Comprehensive income			2,447			2,860
Comprehensive income attributable to noncontrolling interests			(10)			(20)
Comprehensive Income Attributable to PepsiCo			\$2,437			\$2,840

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	24 Weeks Ended	
	6/13/15	6/14/14
Operating Activities		
Net income	\$3,225	\$3,214
Depreciation and amortization	1,075	1,162
Stock-based compensation expense	144	140
Restructuring and impairment charges	61	190
Cash payments for restructuring charges	(107	) (112
Excess tax benefits from share-based payment arrangements	(78	) (64
Pension and retiree medical plan expenses	215	243
Pension and retiree medical plan contributions	(117	) (155
Deferred income taxes and other tax charges and credits	42	35
Change in assets and liabilities:		
Accounts and notes receivable	(1,309	) (1,554
Inventories	(862	) (822
Prepaid expenses and other current assets	(264	) (152
Accounts payable and other current liabilities	197	120
Income taxes payable	648	636
Other, net	(109	) (209
Net Cash Provided by Operating Activities	2,761	2,672
Investing Activities		
Capital spending	(832	) (921
Sales of property, plant and equipment	26	42
Acquisitions and investments in noncontrolled affiliates	(16	) (31
Divestitures	74	123
Short-term investments, by original maturity:		
More than three months - purchases	(1,675	) (3,498
More than three months - maturities	2,269	—
Three months or less, net	(1	) 118
Other investing, net		