

PEPSICO INC
Form 10-Q
October 08, 2009
Table of Contents

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 September 5, 2009 (36 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 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. (Check one):

Large accelerated filer

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

Number of shares of Common Stock outstanding as of October 2, 2009: 1,560,444,589

Table of Contents**PEPSICO, INC. AND SUBSIDIARIES****INDEX**

	Page No.
<u>Part I Financial Information</u>	
Item 1. <u>Condensed Consolidated Financial Statements</u>	3
<u>Condensed Consolidated Statement of Income 12 and 36 Weeks Ended September 5, 2009 and September 6, 2008</u>	3
<u>Condensed Consolidated Statement of Cash Flows 36 Weeks Ended September 5, 2009 and September 6, 2008</u>	4
<u>Condensed Consolidated Balance Sheet September 5, 2009 and December 27, 2008</u>	5-6
<u>Condensed Consolidated Statement of Equity 36 Weeks Ended September 5, 2009 and September 6, 2008</u>	7
<u>Condensed Consolidated Statement of Comprehensive Income 12 and 36 Weeks Ended September 5, 2009 and September 6, 2008</u>	8
<u>Notes to the Condensed Consolidated Financial Statements</u>	9-23
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24-41
<u>Report of Independent Registered Public Accounting Firm</u>	42
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	43
Item 4. <u>Controls and Procedures</u>	43
<u>Part II Other Information</u>	
Item 1. <u>Legal Proceedings</u>	44
Item 1A. <u>Risk Factors</u>	44
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
Item 6. <u>Exhibits</u>	49

Table of Contents

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		36 Weeks Ended	
	9/5/09	9/6/08	9/5/09	9/6/08
Net Revenue	\$ 11,080	\$ 11,244	\$ 29,935	\$ 30,522
Cost of sales	5,181	5,268	13,806	14,180
Selling, general and administrative expenses	3,649	3,972	10,077	10,560
Amortization of intangible assets	18	13	42	43
Operating Profit	2,232	1,991	6,010	5,739
Bottling equity income	146	201	290	439
Interest expense	(86)	(73)	(285)	(205)
Interest income	16	14	44	53
Income before income taxes	2,308	2,133	6,059	6,026
Provision for income taxes	575	550	1,517	1,586
Net income	1,733	1,583	4,542	4,440
Less: Net income attributable to noncontrolling interests	16	7	30	17
Net Income Attributable to PepsiCo	\$ 1,717	\$ 1,576	\$ 4,512	\$ 4,423
Net Income Attributable to PepsiCo per Common Share				
Basic	\$ 1.10	\$ 1.01	\$ 2.90	\$ 2.79
Diluted	\$ 1.09	\$ 0.99	\$ 2.87	\$ 2.74
Cash Dividends Declared per Common Share	\$ 0.45	\$ 0.425	\$ 1.325	\$ 1.225

See accompanying Notes to the Condensed Consolidated Financial Statements .

Table of Contents

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions, unaudited)

	36 Weeks Ended	
	9/5/09	9/6/08
Operating Activities		
Net income	\$ 4,542	\$ 4,440
Depreciation and amortization	1,083	1,055
Stock-based compensation expense	159	169
Restructuring and impairment charges	36	
Cash payments for restructuring charges	(183)	(24)
Excess tax benefits from share-based payment arrangements	(16)	(83)
Pension and retiree medical plan contributions	(1,130)	(132)
Pension and retiree medical plan expenses	290	318
Bottling equity income, net of dividends	(222)	(372)
Deferred income taxes and other tax charges and credits	59	275
Change in accounts and notes receivable	(459)	(1,166)
Change in inventories	(128)	(362)
Change in prepaid expenses and other current assets	17	(49)
Change in accounts payable and other current liabilities	(241)	212
Change in income taxes payable	914	566
Other, net	(318)	(189)
Net Cash Provided by Operating Activities	4,403	4,658
Investing Activities		
Capital spending	(1,138)	(1,399)
Sales of property, plant and equipment	33	85
Acquisitions and investments in noncontrolled affiliates	(300)	(1,707)
Divestitures	100	
Cash restricted for pending acquisitions	30	(297)
Cash proceeds from sale of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS) stock		342
Short-term investments, by original maturity		
More than three months purchases	(29)	(143)
More than three months maturities	55	44
Three months or less, net	4	1,299
Net Cash Used for Investing Activities	(1,245)	(1,776)
Financing Activities		
Proceeds from issuances of long-term debt	1,057	1,733
Payments of long-term debt	(188)	(488)

Edgar Filing: PEPSICO INC - Form 10-Q

Short-term borrowings, by original maturity		
More than three months proceeds	32	42
More than three months payments	(64)	(120)
Three months or less, net	(965)	2,080
Cash dividends paid	(2,032)	(1,879)
Share repurchases common		(4,197)
Share repurchases preferred	(4)	(4)
Proceeds from exercises of stock options	187	495
Other financing	(26)	
Excess tax benefits from share-based payment arrangements	16	83
Net Cash Used for Financing Activities	(1,987)	(2,255)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	19	(20)
Net Increase in Cash and Cash Equivalents	1,190	607
Cash and Cash Equivalents Beginning of year	2,064	910
Cash and Cash Equivalents End of period	\$ 3,254	\$ 1,517

See accompanying Notes to the Condensed Consolidated Financial Statements .

Table of Contents

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

(in millions)

	(Unaudited) 9/5/09	12/27/08
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,254	\$ 2,064
Short-term investments	206	213
Accounts and notes receivable, less allowance: 9/09 \$78, 12/08 \$70	5,216	4,683
Inventories		
Raw materials	1,333	1,228
Work-in-process	267	169
Finished goods	1,116	1,125
	2,716	2,522
Prepaid expenses and other current assets	1,024	1,324
Total Current Assets	12,416	10,806
Property, Plant and Equipment	23,848	22,552
Accumulated Depreciation	(11,815)	(10,889)
	12,033	11,663
Amortizable Intangible Assets, net	843	732
Goodwill	6,351	5,124
Other Nonamortizable Intangible Assets	1,702	1,128
Nonamortizable Intangible Assets	8,053	6,252
Investments in Noncontrolled Affiliates	4,339	3,883
Other Assets	936	2,658
Total Assets	\$38,620	\$35,994

Continued on next page.

Table of Contents

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (continued)
(in millions except per share amounts)

	(Unaudited)	
	9/5/09	12/27/08
Liabilities and Equity		
Current Liabilities		
Short-term obligations		