PEPSICO INC
Form 10-Q
September 29, 2016
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 September 3, 2016 (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	13-1584302
(State or Other Jurisdiction of Incorporation or Organization)	(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 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.

Accelerated filer

Large accelerated filer X	
Non-accelerated filer (Do not check if a smaller reporting company)	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 September 22, 2016 was 1,434,183,120.

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PepsiCo, Inc. and Subsidiaries

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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		36 Weeks Ended	
	9/3/2016	9/5/2015	9/3/2016	9/5/2015
Net Revenue	$16,027	$16,331	$43,284	$44,471
Cost of sales	7,284	7,490	19,265	20,244
Gross profit	8,743	8,841	24,019	24,227
Selling, general and administrative expenses	5,904	6,048	16,566	16,702
Venezuela impairment charges	—	1,359	—	1,359
Amortization of intangible assets	18	18	49	53
Operating Profit	2,821	1,416	7,404	6,113
Interest expense	(247)	(225)	(748)	(653)
Interest income and other	30	2	66	31
Income before income taxes	2,604	1,193	6,722	5,491
Provision for income taxes	600	650	1,760	1,723
Net income	2,004	543	4,962	3,768
Less: Net income attributable to noncontrolling interests	12	10	34	34
Net Income Attributable to PepsiCo	$1,992	$533	$4,928	$3,734
Net Income Attributable to PepsiCo per Common Share				
Basic	$1.38	$0.36	$3.41	$2.53
Diluted	$1.37	$0.36	$3.39	$2.50
Weighted-average common shares outstanding				
Basic	1,438	1,467	1,443	1,475
Diluted	1,452	1,483	1,456	1,492
Cash dividends declared per common share	$0.7525	$0.7025	$2.2075	$2.06

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Statement of Comprehensive Income
PepsiCo, Inc. and Subsidiaries
(in millions, unaudited)

	12 Weeks Ended 9/3/2016			36 Weeks Ended 9/3/2016		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			$ 2,004			$ 4,962
Other comprehensive (loss)/income						
Currency translation adjustment	$ (116)	$ 3	(113)	$ 419	$ 8	427
Cash flow hedges:						
Reclassification of net losses to net income	71	(28)	43	42	(21)	21
Net derivative losses	(14)	14	—	(46)	21	(25)
Pension and retiree medical:						
Reclassification of net losses to net income	45	(15)	30	128	(41)	87
Remeasurement of net liabilities and translation	48	(16)	32	52	(60)	(8)
Unrealized losses on securities	(16)	8	(8)	(25)	13	(12)
Total other comprehensive (loss)/income	$ 18	$ (34)	(16)	$ 570	$ (80)	490
Comprehensive income			1,988			5,452
Comprehensive income attributable to noncontrolling interests			(12)			(34)
Comprehensive Income Attributable to PepsiCo			$ 1,976			$ 5,418

	12 Weeks Ended 9/5/2015			36 Weeks Ended 9/5/2015		
	Pre-tax amounts	Tax amounts	After-tax amounts	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			$ 543			$ 3,768
Other comprehensive loss						
Currency translation:						
Currency translation adjustment	$ (1,600)	$ —	(1,600)	$ (2,107)	$ —	(2,107)
Reclassification associated with Venezuelan entities	111	—	111	111	—	111
Cash flow hedges:						
Reclassification of net losses to net income	6	(3)	3	88	(40)	48
Net derivative gains/(losses)	13	(1)	12	(94)	43	(51)
Pension and retiree medical:						
Reclassification of net losses to net income	58	(18)	40	167	(53)	114
Reclassification associated with Venezuelan entities	20	(4)	16	20	(4)	16
Remeasurement of net liabilities and translation	16	(5)	11	31	(7)	24
Unrealized losses on securities	(11)	5	(6)	(2)	1	(1)
Total other comprehensive loss	$ (1,387)	$ (26)	(1,413)	$ (1,786)	$ (60)	(1,846)
Comprehensive (loss)/income			(870)			1,922
Comprehensive income attributable to noncontrolling interests			(10)			(33)
Comprehensive (Loss)/Income Attributable to PepsiCo			$ (880)			$ 1,889

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)

	36 Weeks Ended				
	9/3/2016			9/5/2015	
Operating Activities					
Net income	$	4,962		$	3,768
Depreciation and amortization	1,611			1,644	
Share-based compensation expense	190			208	
Restructuring and impairment charges	106			113	
Cash payments for restructuring charges	(90		)	(149	)
Charges related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi)	373			73	
Venezuela impairment charges	—			1,359	
Excess tax benefits from share-based payment arrangements	(115		)	(85	)
Pension and retiree medical plan expenses	191			326	
Pension and retiree medical plan contributions	(182		)	(165	)
Deferred income taxes and other tax charges and credits	285			186	
Change in assets and liabilities:					
Accounts and notes receivable	(1,301		)	(1,553	)
Inventories	(381		)	(574	)
Prepaid expenses and other current assets	(141		)	(157	)
Accounts payable and other current liabilities	523			1,014	
Income taxes payable	813			1,002	
Other, net	(249		)	(235	)
Net Cash Provided by Operating Activities	6,595			6,775	
Investing Activities					
Capital spending	(1,566		)	(1,463	)

Sales of property, plant and equipment	59		63	
Acquisitions and investments in noncontrolled affiliates	(16	)	(24	)
Reduction of cash due to Venezuela deconsolidation	—		(568	)
Divestitures	76		75	
Short-term investments, by original maturity:				
More than three months - purchases	(7,084	)	(2,391	)
More than three months - maturities	5,479		3,005	
Three months or less, net	12		—	
Other investing, net	9		(3	)
Net Cash Used for Investing Activities	(3,031	)	(1,306	)
Financing Activities				
Proceeds from issuances of long-term debt	3,355		5,719	
Payments of long-term debt	(3,085	)	(4,066	)
Short-term borrowings, by original maturity:				
More than three months - proceeds	57		13	
More than three months - payments	(12	)	(31	)
Three months or less, net	2,024		1,431	
Cash dividends paid	(3,144	)	(3,008	)
Share repurchases - common	(2,079	)	(3,199	)
Share repurchases - preferred	(3	)	(3	)
Proceeds from exercises of stock options	415		327	
Excess tax benefits from share-based payment arrangements	115		85	
Other financing	(29	)	(26	)
Net Cash Used for Financing Activities	(2,386	)	(2,758	)
Effect of exchange rate changes on cash and cash equivalents	(18	)	(147	)
Net Increase in Cash and Cash Equivalents	1,160		2,564	
	9,096		6,134	

Cash and Cash Equivalents, Beginning of Year				
Cash and Cash Equivalents, End of Period	$	10,256	$	8,698

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Balance Sheet
PepsiCo, Inc. and Subsidiaries
(in millions except per share amounts)

	(Unaudited) 9/3/2016	12/26/2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 10,256	$ 9,096
Short-term investments	4,524	2,913
Accounts and notes receivable, less allowance: 9/16 - $157 and 12/15 - $130	7,745	6,437
Inventories:		
Raw materials	1,438	1,312
Work-in-process	228	161
Finished goods	1,454	1,247
	3,120	2,720
Prepaid expenses and other current assets	1,454	1,865
Total Current Assets	27,099	23,031
Property, plant and equipment	36,603	35,747
Accumulated depreciation	(20,298)	(19,430)
	16,305	16,317
Amortizable Intangible Assets, net	1,257	1,270
Goodwill	14,394	14,177
Other nonamortizable intangible assets	12,024	11,811
Nonamortizable Intangible Assets	26,418	25,988
Investments in Noncontrolled Affiliates	1,975	2,311
Other Assets	843	750
Total Assets	$ 73,897	$ 69,667
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term obligations	$ 6,284	$ 4,071
Accounts payable and other current liabilities	14,305	13,507
Total Current Liabilities	20,589	17,578
Long-Term Debt Obligations	29,322	29,213
Other Liabilities	6,088	5,887
Deferred Income Taxes	5,180	4,959
Total Liabilities	61,179	57,637
Commitments and contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(189)	(186)
PepsiCo Common Shareholders’ Equity		
Common stock, par value $1^{2}/_{3}$¢ per share (authorized 3,600 shares, issued, net of repurchased common stock at par value: 1,436 and 1,448 shares, respectively)	24	24
Capital in excess of par value	4,001	4,076
Retained earnings	52,200	50,472
Accumulated other comprehensive loss	(12,829)	(13,319)

Repurchased common stock, in excess of par value (430 and 418 shares, respectively)	(30,646)	(29,185)
Total PepsiCo Common Shareholders' Equity	12,750	12,068
Noncontrolling interests	116	107
Total Equity	12,718	12,030
Total Liabilities and Equity	$ 73,897	$ 69,667

See accompanying notes to the condensed consolidated financial statements.

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

	36 Weeks Ended			
	9/3/2016		9/5/2015	
	Shares	Amount	Shares	Amount
Preferred Stock	0.8	$41	0.8	$41
Repurchased Preferred Stock				
Balance, beginning of year	(0.7)	(186)	(0.7)	(181)
Redemptions	—	(3)	—	(3)
Balance, end of period	(0.7)	(189)	(0.7)	(184)
Common Stock				
Balance, beginning of year	1,448	24	1,488	25
Repurchased common stock	(12)	—	(26)	(1)
Balance, end of period	1,436	24	1,462	24
Capital in Excess of Par Value				
Balance, beginning of year		4,076		4,115
Share-based compensation expense		193		210
Stock option exercises, RSUs, PSUs and PEPunits converted [a]		(148)		(175)
Withholding tax on RSUs, PSUs and PEPunits converted		(114)		(125)
Other		(6)		(4)
Balance, end of period		4,001		4,021
Retained Earnings				
Balance, beginning of year		50,472		49,092
Net income attributable to PepsiCo		4,928		3,734
Cash dividends declared – common		(3,200)		(3,058)
Cash dividends declared – preferred		—		(1)
Balance, end of period		52,200		49,767
Accumulated Other Comprehensive Loss				
Balance, beginning of year		(13,319)		(10,669)
Other comprehensive income/(loss) attributable to PepsiCo		490		(1,845)
Balance, end of period		(12,829)		(12,514)
Repurchased Common Stock				
Balance, beginning of year	(418)	(29,185)	(378)	(24,985)
Share repurchases	(21)	(2,112)	(34)	(3,273)
Stock option exercises, RSUs, PSUs and PEPunits converted	9	646	8	560
Other	—	5	—	4
Balance, end of period	(430)	(30,646)	(404)	(27,694)
Total PepsiCo Common Shareholders’ Equity		12,750		13,604
Noncontrolling Interests				
Balance, beginning of year		107		110
Net income attributable to noncontrolling interests		34		34
Distributions to noncontrolling interests		(25)		(23)
Currency translation adjustment		—		(1)
Other, net		—		(2)
Balance, end of period		116		118
Total Equity		$12,718		$13,579

(a) Includes total tax benefits of $86 million in 2016 and $59 million in 2015.

See accompanying notes to the condensed consolidated financial statements.

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Notes to the Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation and Our Divisions

Basis of Presentation

When used in this report, the terms “we,” “us,” “our,” “PepsiCo” and the “Company” mean PepsiCo, Inc. and its consolidated subsidiaries, collectively.

Our Condensed Consolidated Balance Sheet as of September 3, 2016 and Condensed Consolidated Statements of Income and Comprehensive Income for the 12 and 36 weeks ended September 3, 2016 and September 5, 2015, and the Condensed Consolidated Statements of Cash Flows and Equity for the 36 weeks ended September 3, 2016 and September 5, 2015 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 26, 2015. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 26, 2015. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 and 36 weeks ended September 3, 2016 are not necessarily indicative of the results expected for the full year.

Effective as of the end of the third quarter of 2015, we did not meet the accounting criteria for control over our wholly-owned Venezuelan subsidiaries and we no longer had significant influence over our beverage joint venture with our franchise bottler in Venezuela, and therefore we deconsolidated our Venezuelan subsidiaries from our consolidated financial statements and began accounting for our investments in our wholly-owned Venezuelan subsidiaries and joint venture using the cost method of accounting. See further unaudited information in “Our Business Risks” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

While our financial results in the United States and Canada (North America) are reported on a 12-week basis, most of our international operations report on a monthly calendar basis for which the months of June, July and August are reflected in our third quarter results.

Our significant interim accounting policies include the recognition of a pro rata share of certain estimated annual sales incentives and certain advertising and marketing costs in proportion to revenue or volume, as applicable, and the recognition of income taxes using an estimated annual effective tax rate. Raw materials, direct labor and plant overhead, as well as purchasing and receiving costs, costs directly related to production planning, inspection costs and raw materials handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product are included in selling, general and administrative expenses.

The following information is unaudited. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Reclassifications were made to the prior year’s amounts to conform to the current year presentation, including the presentation of certain functional support costs associated with the manufacturing and production of our products within cost of sales. These costs were previously included in selling, general and administrative expenses. In the 12 and 36 weeks ended September 5, 2015, these reclassifications resulted in an increase in cost of sales of $95 million and $240 million, respectively, with a corresponding reduction to gross profit and selling, general and administrative expenses in the same periods. These reclassifications reflect changes in how we are classifying costs of certain support functions as a result of ongoing productivity and efficiency initiatives. These reclassifications had no impact on our consolidated net revenue, operating profit, net interest expense, provision for income taxes, net income or earnings per share.

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Our Divisions

We are organized into six reportable segments (also referred to as divisions), as follows:

1) Frito-Lay North America (FLNA);
2) Quaker Foods North America (QFNA);
3) North America Beverages (NAB), which includes all of our beverage businesses in North America;
4) Latin America, which includes all of our beverage, food and snack businesses in Latin America;
5) Europe Sub-Saharan Africa (ESSA), which includes all of our beverage, food and snack businesses in Europe and Sub-Saharan Africa; and
6) Asia, Middle East and North Africa (AMENA), which includes all of our beverage, food and snack businesses in Asia, Middle East and North Africa.

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Net revenue and operating profit/(loss) of each division are as follows:

	12 Weeks Ended		36 Weeks Ended	
Net Revenue	9/3/2016	9/5/2015	9/3/2016	9/5/2015
FLNA	$3,676	$3,555	$10,658	$10,326
QFNA	571	583	1,749	1,768
NAB	5,518	5,360	15,024	14,771
Latin America [(a)]	1,762	2,283	4,521	5,921
ESSA	2,864	2,918	6,883	7,227
AMENA	1,636	1,632	4,449	4,458
Total division	$16,027	$16,331	$43,284	$44,471

	12 Weeks Ended		36 Weeks Ended	
Operating Profit/(Loss)	9/3/2016	9/5/2015	9/3/2016	9/5/2015
FLNA	$1,148	$1,085	$3,249	$3,012
QFNA [(b)]	144	150	456	381
NAB [(c)]	904	860	2,270	2,146
Latin America [(a)]	247	(994)	664	(420)
ESSA	388	398	792	860
AMENA [(d)]	264	199	499	802
Total division	3,095	1,698	7,930	6,781
Corporate Unallocated				
Mark-to-market net (losses)/gains	(39)	(28)	107	10
Other	(235)	(254)	(633)	(678)
	$2,821	$1,416	$7,404	$6,113

(a) Effective at the end of the third quarter of 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investments using the cost method of accounting. Beginning with the fourth quarter of 2015, Latin America’s financial results have not included the results of our Venezuelan businesses. Additionally, operating loss for the 12 and 36 weeks ended September 5, 2015 included charges of $1.4 billion related to our change in accounting for our investments in our wholly-owned Venezuelan subsidiaries and beverage joint venture.

(b) Operating profit for QFNA for the 36 weeks ended September 5, 2015 included an impairment charge of $65 million associated with our Müller Quaker Dairy (MQD) joint venture investment.

(c) Operating profit for NAB for the 12 and 36 weeks ended September 5, 2015 included a gain of $37 million associated with the settlement of a pension-related liability from a previous acquisition.

(d) Operating profit for AMENA for the 36 weeks ended September 3, 2016 includes an impairment charge of $373 million to reduce the value of our 5% indirect equity interest in Tingyi-Asahi Beverages Holding Co. Ltd. (TAB) to its estimated fair value. Operating profit for the 12 and 36 weeks ended September 5, 2015 included a charge of $73 million related to a write-off of the recorded value of a call option to increase our holding in TAB and an impairment charge of $29 million associated with a joint venture in the Middle East. In addition, operating profit for the 36 weeks ended September 5, 2015 included a gain of $39 million associated with refranchising a portion of our bottling operations in India.

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Total assets of each division are as follows:

	Total Assets	
	9/3/2016	12/26/2015
FLNA	$5,648	$ 5,375
QFNA	864	872
NAB	28,996	28,128
Latin America	4,684	4,284
ESSA	13,086	12,225
AMENA	5,752	5,901
Total division	59,030	56,785
Corporate [(a)]	14,867	12,882
	$73,897	$ 69,667

(a) Corporate assets consist principally of certain cash and cash equivalents, short-term investments, derivative instruments, property, plant and equipment, pension and tax assets.

Note 2 - Recent Accounting Pronouncements - Not Yet Adopted

In 2016, the Financial Accounting Standards Board (FASB) issued guidance to clarify how certain cash receipts and payments should be presented in the statement of cash flows. The guidance is effective in 2018 with early adoption permitted. The guidance is not expected to have a material impact on our financial statements. We are currently evaluating the timing of adoption of this guidance.

In 2016, the FASB issued guidance that changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model that will replace today's incurred loss model and generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. The guidance is effective in 2020 with early adoption permitted in 2019. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In 2016, the FASB issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition in the income statement of the income tax effects of vested or settled awards. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes and not classify the award as a liability that requires valuation on a mark-to-market basis. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective in 2017 with early adoption permitted. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In 2016, the FASB issued guidance that eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for the equity method. The guidance requires that an equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the ability to exercise significant influence is achieved. The guidance is effective in 2017 with early adoption permitted. We are currently evaluating the timing of adoption of this guidance.

In 2016, the FASB issued guidance that requires lessees to recognize most leases on their balance sheets, but record expenses on their income statements in a manner similar to current accounting. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is effective in 2019 with early adoption permitted. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In 2016, the FASB issued guidance that requires companies to measure investments in certain equity securities at fair value and recognize any changes in fair value in net income. The guidance is effective in 2018 and early adoption is not permitted. We are currently evaluating the impact of this guidance on our financial statements.

In 2015, the FASB issued guidance that requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. The guidance is effective in 2017 with early adoption permitted. The guidance is not expected to have a material impact on our balance sheet. We are currently evaluating the timing of adoption of this guidance.

In 2015, the FASB issued guidance that changes the subsequent measurement for certain inventory methods from the lower of cost or market to the lower of cost and net realizable value. The guidance is effective in 2017 with early adoption permitted. The guidance is not expected to have a material impact on our financial statements. We are currently evaluating the timing of adoption of this guidance.

In 2014, the FASB issued guidance on revenue recognition, with final amendments issued in 2016. The revenue recognition guidance provides for a single five-step model to be applied to all revenue contracts with customers and provides clarification for principal versus agent considerations, identifying performance obligations and the accounting of intellectual property licenses. In addition, the FASB introduced practical expedients related to disclosures of remaining performance obligations, as well as other amendments to guidance on collectibility, non-cash consideration and the presentation of sales and other similar taxes. The guidance also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. The guidance provides an implementation option to use either a retrospective approach or a cumulative effect adjustment approach. The guidance is effective in 2018, with early adoption permitted. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption, and have not yet selected an implementation approach.

Note 3 - Restructuring and Impairment Charges

A summary of our restructuring and impairment charges and other productivity initiatives is as follows:

	12 Weeks Ended		36 Weeks Ended	
	9/3/2016	9/5/2015	9/3/2016	9/5/2015
2014 Productivity Plan	$27	$ 43	$106	$ 94
2012 Productivity Plan	—	9	—	19
Total restructuring and impairment charges	27	52	106	113
Other productivity initiatives [(a)]	—	44	(2)	54
Total restructuring and impairment charges and other productivity initiatives	$27	$ 96	$104	$ 167

(a) Income amount represents adjustments for changes in estimates of previously recorded amounts.

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2014 Multi-Year Productivity Plan

The multi-year productivity plan we publicly announced on February 13, 2014 (2014 Productivity Plan) includes the next generation of productivity initiatives that we believe will strengthen our food, snack and beverage businesses by: accelerating our investment in manufacturing automation; further optimizing our global manufacturing footprint, including closing certain manufacturing facilities; re-engineering our go-to-market systems in developed markets; expanding shared services; and implementing simplified organization structures to drive efficiency. The 2014 Productivity Plan is in addition to the productivity plan we began implementing in 2012 and is expected to continue the benefits of that plan.

In the 12 weeks ended September 3, 2016 and September 5, 2015, we incurred restructuring charges of $27 million ($20 million after-tax or $0.01 per share) and $43 million ($33 million after-tax or $0.02 per share), respectively. In the 36 weeks ended September 3, 2016 and September 5, 2015, we incurred restructuring charges of $106 million ($76 million after-tax or $0.05 per share) and $94 million ($73 million after-tax or $0.05 per share), respectively. All of these charges were recorded in selling, general and administrative expenses and primarily relate to severance and other employee-related costs, asset impairments (all non-cash) and other costs associated with the implementation of our initiatives, including contract termination costs. Substantially all of the restructuring accrual at September 3, 2016 is expected to be paid by the end of 2017.

A summary of our 2014 Productivity Plan charges by segment is as follows:

	12 Weeks Ended		36 Weeks Ended	
	9/3/2016	9/5/2015	9/3/2016	9/5/2015
FLNA	$2	$ 12	$1	$ 20
QFNA	—	1	1	2
NAB	6	4	19	18
Latin America	—	5	28	11
ESSA	11	15	38	28
AMENA	4	3	11	7
Corporate	4	3	8	8
	$27	$ 43	$106	$ 94

A summary of our 2014 Productivity Plan activity for the 36 weeks ended September 3, 2016 is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
Liability as of December 26, 2015	$ 61	$ —	$ 20	$ 81
2016 restructuring charges	59	21	26	106
Cash payments	(29)	—	(35)	(64)
Non-cash charges and translation	(5)	(21)	1	(25)
Liability as of September 3, 2016	$ 86	$ —	$ 12	$ 98

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2012 Multi-Year Productivity Plan

The multi-year productivity plan we publicly announced on February 9, 2012 (2012 Productivity Plan) included actions in every aspect of our business that we believed would strengthen our complementary food, snack and beverage businesses by: leveraging new technologies and processes across PepsiCo’s operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management. The 2012 Productivity Plan has enhanced PepsiCo’s cost-competitiveness and provided a source of funding for future brand-building and innovation initiatives.

In the 12 weeks ended September 5, 2015, we incurred restructuring charges of $9 million ($8 million after-tax or $0.01 per share). In the 36 weeks ended September 5, 2015, we incurred restructuring charges of $19 million ($16 million after-tax or $0.01 per share). All of these charges were recorded in selling, general and administrative expenses and primarily related to severance and other employee-related costs and contract termination costs. Cash payments in the 36 weeks ended September 3, 2016 were $26 million. We do not expect any further charges associated with our 2012 Productivity Plan. Substantially all of the restructuring accrual of $9 million at September 3, 2016 is expected to be paid by the end of 2016.

A summary of our 2012 Productivity Plan charges by segment is as follows:

	9/5/2015	
	12 Weeks Ended	36 Weeks Ended
FLNA	$ —	$ —
QFNA	—	—
NAB	—	1
Latin America	5	5
ESSA	3	9
AMENA	—	1
Corporate	1	3
	$ 9	$ 19

Other Productivity Initiatives

In the 12 and 36 weeks ended September 5, 2015, we incurred charges of $44 million ($29 million after-tax or $0.02 per share) and $54 million ($37 million after-tax or $0.02 per share), respectively. These charges are related to productivity and efficiency initiatives outside the scope of the 2014 and 2012 Productivity Plans discussed above. These amounts were recorded in selling, general and administrative expenses and primarily reflect severance and other employee-related costs. Cash payments in the 36 weeks ended September 3, 2016 were $35 million. Substantially all of the accrual of $26 million at September 3, 2016 is expected to be paid by the end of 2016. See additional unaudited information in “Results of Operations – Consolidated Review” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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A summary of our charges related to productivity and efficiency initiatives outside the scope of the 2014 and 2012 Productivity Plans by segment is as follows:

	9/5/2015	
	12 Weeks Ended	36 Weeks Ended
FLNA	$—	$ —
QFNA	—	—
NAB	—	—
Latin America	5	5
ESSA	1	5
AMENA	8	14
Corporate	30	30
	$44	$ 54

Note 4 - Intangible Assets

A summary of our amortizable intangible assets is as follows:

	9/3/2016			12/26/2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Acquired franchise rights	$833	$ (105)	$728	$820	$ (92)	$728
Reacquired franchise rights	106	(101)	5	105	(99)	6
Brands	1,305	(1,003)	302	1,298	(987)	311
Other identifiable intangibles	540	(318)	222	526	(301)	225
	$2,784	$ (1,527)	$1,257	$2,749	$ (1,479)	$1,270

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The change in the book value of nonamortizable intangible assets is as follows:

	Balance 12/26/2015	Translation and Other	Balance 9/3/2016
FLNA			
Goodwill	$ 267	$ 7	$ 274
Brands	22	2	24
	289	9	298
QFNA			
Goodwill	175	—	175
NAB			
Goodwill	9,754	27	9,781
Reacquired franchise rights	7,042	46	7,088
Acquired franchise rights	1,507	10	1,517
Brands	108	—	108
	18,411	83	18,494
Latin America			
Goodwill	521	38	559
Brands	137	15	152
	658	53	711
ESSA			
Goodwill	3,042	132	3,174
Reacquired franchise rights	488	18	506
Acquired franchise rights	190	4	194
Brands	2,212	116	2,328
	5,932	270	6,202
AMENA			
Goodwill	418	13	431
Brands	105	2	107
	523	15	538
Total goodwill	14,177	217	14,394
Total reacquired franchise rights	7,530	64	7,594
Total acquired franchise rights	1,697	14	1,711
Total brands	2,584	135	2,719
	$ 25,988	$ 430	$ 26,418

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Note 5 - Income Taxes

A rollforward of our reserves for all federal, state and foreign tax jurisdictions is as follows:

	9/3/2016	12/26/2015
Balance, beginning of year	$ 1,547	$ 1,587
Additions for tax positions related to the current year	176	248
Additions for tax positions from prior years	80	122
Reductions for tax positions from prior years	(36)	(261)
Settlement payments	(10)	(78)
Statutes of limitations expiration	(16)	(34)
Translation and other	(10)	(37)
Balance, end of period	$ 1,731	$ 1,547

Note 6 - Share-Based Compensation

Beginning in 2016, certain executive officers and other senior executives were granted long-term cash awards for which final payout is based on PepsiCo's Total Shareholder Return relative to a specific set of peer companies and achievement of a specified performance target over a three-year performance period. These qualify as liability awards under share-based compensation guidance and are valued through the end of the performance period on a mark-to-market basis using a Monte Carlo simulation model until actual performance is determined.

The following table summarizes our total share-based compensation expense:

	12 Weeks Ended		36 Weeks Ended	
	9/3/2016	9/5/2015	9/3/2016	9/5/2015
Share-based compensation expense - equity awards	$67	$ 64	$190	$ 208
Share-based compensation expense - liability awards	1	—	4	—
Restructuring and impairment charges	1	1	3	2
Total	$69	$ 65	$197	$ 210

For the 12 weeks ended September 3, 2016 and September 5, 2015, our grants of stock options, restricted stock units (RSUs), performance stock units (PSUs), PepsiCo equity performance units (PEPunits) and long-term cash awards were nominal.

The following table summarizes share-based awards granted under the terms of the PepsiCo, Inc. Long-Term Incentive Plan (previously named the 2007 Long-Term Incentive Plan):

	36 Weeks Ended			
	9/3/2016		9/5/2015	
	Granted [(a)]	Weighted-Average Grant Price	Granted [(a)]	Weighted-Average Grant Price
Stock options	1.6	$ 99.51	1.8	$ 98.76
RSUs and PSUs	3.0	$ 98.87	2.7	$ 99.15
PEPunits	—	$ —	0.3	$ 99.25

(a) In millions. All grant activity is disclosed at target.

We granted long-term cash awards to certain executive officers and other senior executives with an aggregate target value of $17 million during the 36 weeks ended September 3, 2016.

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Our weighted-average Black-Scholes fair value assumptions are as follows:

	36 Weeks Ended	
	9/3/2016	9/5/2015
Expected life	6 years	7 years
Risk-free interest rate	1.4 %	1.8 %
Expected volatility	12 %	15 %
Expected dividend yield	2.7 %	2.7 %

Note 7 - Pension and Retiree Medical Benefits

Effective as of the beginning of 2016, we prospectively changed the method we use to estimate the service and interest cost components of pension and retiree medical expense. The pre-tax reduction in net periodic benefit cost associated with this change in the 12 and 36 weeks ended September 3, 2016 was $29 million ($19 million after-tax or $0.01 per share) and $86 million ($56 million after-tax or $0.04 per share), respectively. See “Pension and Retiree Medical Plans” in “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on this change in accounting estimate.

The components of net periodic benefit cost for pension and retiree medical plans are as follows:

	12 Weeks Ended					
	Pension				Retiree Medical	
	9/3/2016	9/5/2015	9/3/2016	9/5/2015	9/3/2016	9/5/2015
	U.S.		International			
Service cost	$ 91	$ 100	$ 20	$ 25	$ 7	$ 8
Interest cost	112	126	24	30	9	12
Expected return on plan assets	(193)	(195)	(42)	(44)	(6)	(6)
Amortization of prior service credit	(1)	(1)	—	—	(8)	(9)
Amortization of net losses	39	47	11	18	—	—
	48	77				