

# BEVERAGE DIGEST

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## Special Issue: PepsiCo Names Indra Nooyi Its Next CEO.

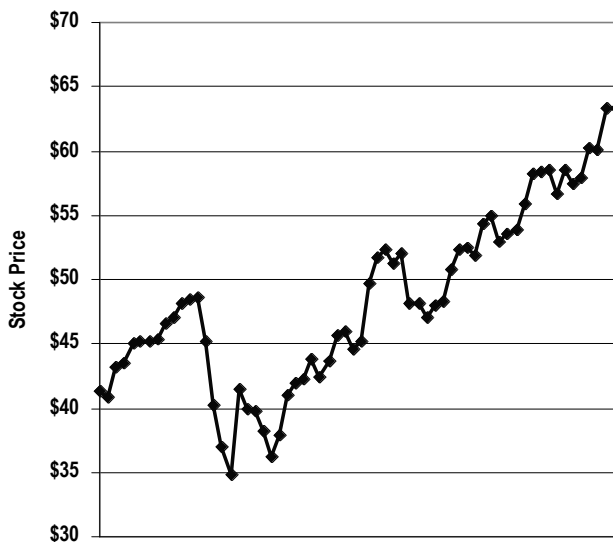
### Reinemund Will Step Down. Cites Family Considerations. Re Nooyi, Enrico Says: 'I Couldn't Be More Delighted.'

PepsiCo announces company president/CFO Indra Nooyi, age 50, will become its next CEO on October 1, when current chairman/CEO Steve Reinemund steps down from his operating role. Reinemund, age 58, will continue as executive chairman and board member until next May, when he will retire. No word from PepsiCo on who will succeed Reinemund as chairman. Reaction from Wall Street and industry sources ranges from, "I'm shocked" to, "this has been in the works for several months." In statement, PepsiCo board member Robert Allen says transition has been in the planning stage for a while. Notes Reinemund initiated "orderly succession ... many months ago with the board." In statement to employees obtained by BD, Reinemund notes it's been "an honor and privilege to lead PepsiCo." Adds, after he steps down in May as chairman, "I will remain an active cheerleader of the PepsiCo team and applaud your every continued success." Reinemund tells investors in call several hours after announcement: "PepsiCo has never been in better hands." Since start of Reinemund's tenure as CEO, PepsiCo stock price has risen about +53% (chart).



Enrico. Former chairman/CEO Roger Enrico tells BD: "I couldn't be more pleased that Indra is there to take the mantle of leadership. She was totally instrumental over the last decade in bringing PepsiCo to the level of success it currently enjoys." Adds: "I'm confident she will keep the company vital and dynamic."

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Reinemund. Has worked for PepsiCo for 22 years and been CEO since May 2001. He became president under Enrico in 1999 and before that ran Frito-Lay. Enrico did the Quaker Oats acquisition in late 2000, and Reinemund was CEO when the deal closed in the summer of 2001. Reinemund is praised by PepsiCo sources and Wall Street as being "great operator" and "super CEO."

Family; 'toughest and easiest.' Reinemund calls his decision to step down, "the toughest and easiest decision of my life." In statement, he talks of his "passion for the company." But notes: "I also have a deep love for my family, and I believe the time is right to devote more attention at home." His family moved to Connecticut -- when he came to PepsiCo's Purchase NY headquarters from Frito-Lay in Dallas -- and moved back to Texas about three years ago. People who know Reinemund talk about his devotion to his family and note the strain of commuting. In statement to

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employees, Reinemund cites his "passion" for PepsiCo and "love" of the products. Continues: "Yet I also have an even deeper love for my family, which I know everyone can appreciate. For the past several years, in addition to the demands of being CEO, my home base has been in Dallas, which has been difficult for them and me. For quite some time, the situation weighed heavily with me. I gave it a great deal of thought and ultimately concluded that it was time for me to retire from PepsiCo so I can spend more time at home with my family."

Nooyi. Tells investors, "I'm excited and humbled." Adds, "the transition will be very orderly." Nooyi has been at PepsiCo since 1994 and has served as president/CFO since 2001. Reinemund is known as a very strong operator, and Nooyi is known as -- and is referred to by several sources as -- a "brilliant strategist" and "strong financial executive." Reinemund calls her his "invaluable partner and ally." Notes she has a "sharp talent for turning insightful ideas and plans into realities." One source suggests: "This makes perfect sense. The board probably figured the company is running very smoothly and turned to its best strategist." Nooyi is highly regarded on Wall Street. Morgan Stanley's Bill Pecoriello: "We personally know Indra Nooyi for 12+ years, and have the highest confidence in her ability to continue to set the strategic direction for PepsiCo and lead the organization going forward into many years of solid performance." J.P. Morgan's John Faucher: "We are very comfortable with Indra assuming this role, as she is well known and respected by both investors and the industry. Also given her president and CFO roles, Nooyi is very familiar with every aspect of the business." Removes 'flight risk.' There has been on-and-off speculation, too, that Nooyi might leave PepsiCo to run another company. UBS analyst Caroline Levy: "While Mr. Reinemund's departure is earlier than expected, we believe it removes some uncertainty as many believed that Ms. Nooyi was ready to be CEO, and therefore presented some flight risk."

Other management changes; bench strength. As Nooyi -- who has been both president and CFO -- takes on the CEO job, Richard Goodman becomes CFO. He has been CFO of PepsiCo International. Hugh Johnston -- currently senior vp transformation -- takes on the newly-created role of executive vp operations and will also head global procurement/information technology. Both of these executives have been with PepsiCo for more than 10 years. Both will report to Nooyi. Several sources cite PepsiCo's "bench strength" which, they say, should lead to an easy transition. Additionally reporting to Nooyi are: Dawn Hudson, president/CEO of Pepsi North America; Mike White, head of Pepsi International; Al Carey, who runs Frito-Lay North America; John Compton, head of Quaker-Tropicana-Gatorade; and Thomas Greco, president PepsiCo sales.

Ripples? After PepsiCo made announcement, some people also speculated whether this change might trigger any executive departures, as often happens when a company names a new CEO. Pecoriello: "While there were no other departures announced this morning, that is always a risk as is the case with any new CEO transition at a company." Adds, "as Mike White ... is a highly respected Pepsi executive, and international is a significant driver of PepsiCo's profit growth, there could be concern on how long he will remain with PepsiCo. We expect that he will stay on in his current role for now ... We would hope that Mike would continue to stay on in his current role beyond the transition period of May 2007." White tells investors: "As to Indra, I think the board has made an outstanding choice." Calls her "terrific leader and good friend." Declares: "I'm committed to helping her be successful in her new role."

Addressing the bottlers. Reinemund writes bottlers noting that Nooyi "shares the same commitment as Dawn Hudson to fostering the most constructive and mutually-beneficial partnerships with each of our bottlers." Nooyi tells bottlers she is "committed to the collective, ongoing, mutually profitable success of PCNA and our bottling partners. Believe me, I caught the Pepsi Spirit the day I joined PepsiCo."

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