

FIN-510 (Assignment-1)

Coca-Cola

General Information:

- The company's latest 10-k was filed on 22 February 2022. Coca-Cola is a multinational beverage company based in United States which sells beverages all over the globe. It was founded in the year 1886.
- The Atlanta-based Coca-Cola Company completed the acquisition in 1888 and incorporated The Coca-Cola Company as a Georgia Corporation.
- One of the largest organizations in the United States and the largest producer and distributor of beverages in the world, Coca-Cola is headquartered in Atlanta, Georgia.
- Preceded by Muhtar Kent, In December 2016, James Quincey was appointed as CEO. James, who is 57 years old, joined Coca-Cola in 1996 and was chosen as the board's chairman in 2019. He was born on January 8th, 1965, and earned a bachelor's degree in electrical engineering from the University of Liverpool. He first worked for Coke in Mexico. From 2008 until 2012, he served as the Northwest Europe & Nordics Business Unit's president. He was appointed president of Coca-Cola's Group in 2013. He became Coke's chief operating officer in August 2015.

What is the company's basic business model/strategy?

Price discrimination is one of the pricing strategies used by Coca-Cola in their marketing mix. In microeconomics, price discrimination refers to the practice of a supplier charging different prices in different markets for the same or nearly identical goods or services. Oligopoly marketplaces are frequently characterized by a limited number of firms that are conscious of their interdependence in terms of pricing and production methods. The beverage market is an oligopoly since there are few producers and so many consumers.

What are its main products and services?

The Coca-Cola Company produces, distributes, and sells finished beverages such as sparkling soft drinks, water, sports drinks, juices, dairy products, and plant-based beverages, as well as tea and coffee.

Who does it see as its main customer base and principal market(s)?

Although there are certain differences in taste and preferences, Coca-Cola generally targets both male and female consumers. For instance, girls and women enjoy Coca-Cola light quite a bit, but males prefer Coke Zero and Thumbs up (both of which are sold in India), which have a stronger flavour. Ages 35 to 44 make up the greatest age group in terms of Coca-Cola consumption. North America, which is the largest market for Coca-Cola, has 320 million customers and a retail sector worth of about \$228 billion.

What are the company's major subsidiaries?

The main subsidiaries Coca-Cola, Sprite, Fanta, and other effervescent soft drinks are part of their portfolio of brands. Dasani, Smartwater, Vitaminwater, Topo Chico, Powerade, Costa, Georgia, Gold Peak, Ayataka, and BodyArmor are just a few of the hydration, sports, coffee, and tea brands they carry.

Who are its major competitors?

The Coca-Cola Company's competitors include Soylent, Tetra Pak, Keurig Dr. Pepper, Red Bull, and PepsiCo. The Coca-Cola Company ranks second place for Product Quality Score when compared to its competitors.

Pepsi Co

General Information:

- The company's latest 10-k was filed on 10 february 2022. Pepsi Co is a multinational food, snack and beverage company based in united states. It was founded in the year 1902.
- Pepsi Co was incorporated in Delaware in 1919 and reincorporated in North Carolina in 1986. It is Headquartered in Harrison, New york.
- Pepsi Co also has complementing brands such as Lays, Doritos, Cheetos, Gatorade, Pepsi-Cola, Mountain Dew, Quaker, and SodaStream.
- Ramon Laguarta is the Chairman of the Board of Directors and Chief Executive Officer of PepsiCo. He was born in the year 1963 in Barcelona, Spain. He has served as CEO since 2018 , and Chairman of the board since 2019. Ramon Laguarta graduated with bachelor's and master's degrees in business administration from ESADE Business School in Barcelona in 1985. In 1986 he received a master's degree in international management from the Thunderbird school of Global Management.

What is the company's basic business model/strategy?

Their pricing strategy is determined by customer demand and the pricing practices of Pepsi's competitors. Bulk sales are encouraged by the company since larger quantities of Pepsi are less expensive per ounce than smaller ones. This strategy facilitates the established distribution channels they have in place.

What are its main products and services?

Pepsi Co is a leading global beverage and convenience food company with a complementary portfolio of brands, including Lays, Doritos, Cheetos, Gatorade, Pepsi-Cola, Mountain Dew, Quaker and SodaStream.

Who does it see as its main customer base and principal market(s)?

The target market for PepsiCo goods is the demographic of persons between the ages of 13 and 45. As the target market is predominantly made up of young people, Pepsi distributes its goods at cafes, schools, colleges, fast food restaurants, and other places that they visit. Pepsi's target audiences in the US and overseas include teenagers, young adults, and clients in their early middle years of adulthood. On general, more soft drinks were consumed during the COVID pandemic, according to 84% of people surveyed, who claimed that they were drinking the same amount or more than they had in the past.

What are the company's major subsidiaries?

The most popular drinks in America are among those produced by PepsiCo companies. Some of the most well-known beverage manufacturers in this industry are Pepsi, Mountain Dew, Gatorade, 7UP (outside of the United States), Tropicana Pure Premium orange juice, Sierra Mist, SoBe Lifewater, Tropicana juice drinks, AMP Energy, Naked Juice, Izze, and Aquafina. Pepsi Co Beverages North America also provides support to independent businesses like Starbucks and Unilever with the manufacturing, marketing, and distribution of their ready-to-drink coffees and teas.

Who are its major competitors?

Kellogg, Conagra Brands, The Coca-Cola Company, Keurig Dr. Pepper, Danone, Nestle, Britvic, Red Bull, Mondelez International, and Monster Beverage are some of PepsiCo's rivals and comparable businesses.

How are the two companies you selected similar? Different? How do their profiles position them for success and growth relative to each other?

Coca-Cola and Pepsi are both carbonated soft drink producers with the same goal of dominating the market with their beverages. Even though if both businesses produce a product that is of the same media and quite comparable to one another, their guiding principles and ideologies diverge greatly. While both businesses began in the same eras, many ups and downs have brought them to distinct scales. Coca-Cola is the more successful corporation in both, ranking as the sixth most valuable firm in the world, while Pepsi is in 29th place, clearly demonstrating the contrast in their performance. Remarkably, Pepsi outsells Coca-Cola in its native country, despite the fact that Coca-Cola is the top choice in the majority of other nations. Just one American types "Coca-Cola" for every seven who search for "Pepsi." Since classical era, Pepsi has sold more than Coca-Cola in populous nations like India, strengthening Pepsi's prominence in the worldwide market. Coca-cola is the preferred beverage throughout the majority of the world's main regions, including Europe, Latin America, Africa, and others. Coca-Cola's marketing and appeal to the public are two of the main factors in its success. Coca-cola emphasizes integrating itself into consumers' daily lives and playing a big role in their lives. PepsiCo just realized this lesson and, despite a delayed start, is already catching up with cutting-edge advertising initiatives. Although though Coca-Cola is a well-known brand and everyone loves the original flavor, Pepsi competes with Coca-Cola with its other carbonated beverages, such as Mountain Dew, Gatorade, Tropicana, etc., which hold a significant segment of the market.

Income Statement Analysis

Coca-Cola

Gross revenue sales

- Revenue history and annual/quarterly growth rate for Coca-Cola from 2010 through 2022. The amount of money a business receives from its clients in exchange for the sale of goods or services is known as revenue. Net income is calculated by deducting all costs and expenses from the top line item on an income statement, which is revenue.
- Coca-Cola's revenue for the three months ended June 30, 2022, was \$11.325 billion, up 11.81% from the same period last year.
- Coca-Cola's sales increased by 13.48% to \$41.322 billion by June 30, 2022, over the previous year.
- Coca-Cola's sales in 2021 increased by 17.09% from the previous year to \$38.655B.
- Coca-Cola reported \$33.014 billion in yearly sales in 2020, a 11.41% decrease from 2019.
- Coca-Cola's revenue for 2019 increased by 8.65% from 2018 to \$37.266 billion.

Sales and Administrative Expenses

- The history and growth rate of Coca-Cola's SG&A costs from 2010 to 2022. The total of all selling, general, and administrative costs is known as sg&a expenses.
- Coca-Cola's SG&A costs for the six-month period ended June 30, 2022, totaled \$3.203B, up 6.17% over the same period last year.
- Coca-Cola's costs for the fiscal year that ended on June 30, 2022, were \$12.628 billion, up 17.08% from the previous year.
- The yearly SG&A costs for Coca-Cola in 2021 increased by 24.8% to \$12.144 billion.
- Coca-Cola's SG&A costs dropped by 19.6% from 2019 to 2020, totaling \$9.731 billion.
- The yearly SG&A costs for Coca-Cola in 2019 increased by 10.01% to \$12.103 billion.

Executive Compensation

- the typical Executive remuneration at The Coca-Cola Company is \$229,636 annually. Brian Finnan, who earns \$6,779,286, is one of the top paid executives of The Coca-Cola Company.
- With base pay and bonuses, the average anticipated remuneration for executives at The Coca-Cola Company is \$229,408, or \$110 per hour.
- There are a total of 25 pay records on Compustat for workers at The Coca-Cola Company. Based on 1430 evaluations, 462 Coca-Cola Company workers score their compensation in the top 40% of similarly sized businesses, while 447 Coca-Cola Company employees rank their perks and benefits in the top 35% of similarly sized organisations.

Net income

- CocaCola annual/quarterly net income history and growth rate from 2010 to 2022. Net income can be defined as a company's net profit or loss after all revenues, income items, and expenses have been accounted for.
- CocaCola net income for the quarter ending June 30, 2022 was \$1.905B, a 27.87% decline year-over-year.
- CocaCola net income for the twelve months ending June 30, 2022 was \$9.571B, a 18.47% increase year-over-year.
- CocaCola annual net income for 2021 was \$9.771B, a 26.13% increase from 2020.
- CocaCola annual net income for 2020 was \$7.747B, a 13.15% decline from 2019.
- CocaCola annual net income for 2019 was \$8.92B, a 38.64% increase from 2018.

Calculations

GROSS MARGIN FOR coca cola in 2021

Formula: $(\text{Total revenue} - \text{cost of goods sold}) / \text{Total revenue} \times 100$

Total revenue = \$38.65B

Cost of goods sold = \$15.35B

Substituting these values, we get

GROSS MARGIN = 61.09%

OPERATING MARGIN of coca cola IN 2021

Formula: $(\text{Operating income} / \text{Revenue}) \times 100$

Operating income = \$10.308B

Revenue = \$38.655B

Substituting these values we get

OPERATING MARGIN= 26.07%

NET MARGIN FOR coca cola IN 2021

Formula: $(\text{Net profit} / \text{Total revenue}) \times 100$

Net Profit = \$9.771B

Revenue = \$38.655B

Substituting these values we get

NET MARGIN = 25.03%

INTEREST COVERAGE of coca cola IN 2021

Formula: $\text{Ebit} / \text{Interest Expense}$

Ebit = \$8.997B

Interest Expense = \$1.597B

Substituting these values we get

INTEREST COVERAGE = 15.7

BASIC EPS FOR coca cola IN 2021

Formula: $(\text{Net income} - \text{preferred dividends}) / \text{weighted average of common shares outstanding during the period}$

Net income=\$9.771B

Preferred dividends=-\$7.252B

Substituting these values in formula we get

EPS =\$2.25

ROE FOR coca cola IN 2021

Formula: Net Income/ Shareholders Equity

Net income =\$9.771B

Shareholders Equity =\$24.86B

Substituting these values in the formula, we get

ROE =27%

ROA FOR coca cola IN 2021

Formula: Net income / Total assets

Net income =\$9.771B

Total assets=\$94.354B

Substituting these values in the formula we get,10.8%

Which of the above ratios do you think is most predictive of the company's future prospects and why?

I believe the ROE, or return on equity, is the finest ratio to use in assessing a company's future prospects. It is determined by dividing the net income by the equity of the shareholders. Your company's return on equity may tell you how lucrative it is for both owners and investors. In conclusion, it's a great way to evaluate how well your company can utilise the company's equity while also helping investors review if they are getting a respectable return on their investment.

Pepsi Co

Gross Revenue/Sales

- History of growth rate of PepsiCo's annual and quarterly gross profits from 2010 to 2022. Gross profit is the money a business makes after subtracting the variable expenses directly related to producing, marketing, and selling its goods or offering its services.
- For the quarter ended June 30, 2022, PepsiCo's gross profit was \$10.810B, up 4.58% over the previous year.
- For the fiscal year that ended on June 30, 2022, PepsiCo's gross profit increased by 7.52% to \$43.490B.
- The yearly gross profit for PepsiCo in 2021 was \$42.399 billion, up 9.91% from the previous year.
- The yearly gross profit for PepsiCo in 2020 was \$38.575 billion, up 4.18% from the previous year.
- The yearly gross profit for PepsiCo in 2019 was \$37.029B, up 4.96% from the previous year.

Sales and Administrative Expenses

- The history and growth rate of PepsiCo's annual/quarterly SG&A costs from 2010 to 2022. The total of all selling, general, and administrative costs is known as sg&a expenses.
- For the quarter ending June 30, 2022, PepsiCo's SG&A costs were \$7.387B, up 2.48% over the previous year.
- For the fiscal year that ended on June 30, 2022, PepsiCo's SG&A costs totaled \$32.401B, a rise of 11.07% from the previous year.
- The yearly SG&A costs for PepsiCo in 2021 increased by 9.62% from the prior year to \$31.237B.
- SG&A costs for PepsiCo were \$28.495 billion in 2020, up 6.57% from 2019.
- The yearly SG&A costs for PepsiCo in 2019 increased by 6.23% to \$26.738B.

Executive Compensation

- \$203,127 is the typical executive salary at PepsiCo. The top paid executives of PepsiCo are Mehmood Khan (\$6,423,046) and Sanjeev Chadha (\$7,543,056).
- Including base pay and bonuses, the median anticipated salary for executives at PepsiCo is \$201,389, or \$96 per hour.
- 1 executive compensation records from PepsiCo workers are comparable.
- Comparably contains 35 pay records for PepsiCo employees in total. Based on 1261 ratings, 403 PepsiCo employees rank their compensation in the top 25% of similarly sized firms on Comparably, while 385 PepsiCo employees rank their perks and benefits in the top 30% of similarly sized organisations (based on 419 ratings).

Net Income

- History of PepsiCo's annual/quarterly net income and growth rate between 2010 and 2022. After accounting for all revenues, income items, and expenses, net income is the company's net profit or loss.
- For the quarter ending June 30, 2022, PepsiCo's net income was \$1.429B, a 39.4% year-over-year decrease.
- PepsiCo's net income for the fiscal year that ended on June 30, 2022, was \$9.236 billion, up 12.52 percent from the previous year.
- In 2021, PepsiCo's yearly net income was \$7.618 billion, up 6.99% from the previous year.
- In 2020, PepsiCo's yearly net income was \$7.12 billion, down 2.65% from the previous year.
- PepsiCo's annual net income in 2019 was \$7.314 billion, down 41.55% from the previous year.

CALCULATIONS

GROSS MARGIN FOR Pepsi Co in 2021

Formula: $(\text{Total revenue} - \text{cost of goods sold}) / \text{Total revenue} \times 100$

Total revenue = \$79.474B

Cost of goods sold = \$37.075B
Substituting these values, we get
GROSS MARGIN = 14.00%

OPERATING MARGIN of Pepsi Co IN 2021

Formula: (Operating income/Revenue) X 100
Operating income = -\$11.162B
Revenue = \$79.474B
Substituting these values we get
OPERATING MARGIN= 14.00%

NET MARGIN FOR Pepsi Co IN 2021

Formula:(Net profit/Total revenue) x 100
Net Profit = \$7.00B
Revenue = \$79.474B
Substituting these values we get
NET MARGIN = 9.59%

INTEREST COVERAGE of Pepsi Co IN 2021

Formula: Ebit/Interest Expense
Ebit = \$11.162B
Interest Expense = \$1.79B
Substituting these values we get
INTEREST COVERAGE = 6.6

BASIC EPS FOR Pepsi Co IN 2021

Formula: (Net income - preferred dividends)/ weighted average of common shares outstanding during the period
Net income=\$7.00B
Preferred dividends=-\$5.509B
Substituting these values in formula we get
EPS =\$5.49

ROE FOR Pepsico IN 2021

Formula: Net Income/ Shareholders Equity
Net income =\$7.00B
Shareholders Equity =\$16.151B
Substituting these values in the formula, we get
ROE =49.47%

ROA FOR Pepsi Co IN 2021

Formula: Net income / Total assets
Net income =\$7.00B
Total assets=\$92.377B

Substituting these values in the formula we get, 8.31%

Which of the above ratios do you think is most predictive of the company's future prospects and why?

I believe the ROE, or return on equity, is the finest ratio to use in assessing a company's future prospects. It is determined by dividing the net income by the equity of the shareholders. Your company's return on equity can tell you how profitable it is for both owners and investors. In conclusion, it's a great way to evaluate how well your company can utilize the company's equity while also helping investors review whether they are getting a respectable return on their investment.

What do you see in the reports that contribute to the success of the companies?

- The pricing strategies of Pepsico rivals and consumer demand are what determine their pricing.
- With bigger volumes of Pepsi costing less per ounce than lower amounts, the business promotes bulk sales. The distribution channels they already have in place are supported by this tactic.
- Coca-Cola aggressively promotes its product lines through advertising on a variety of platforms, including TV, online, sponsorships, and other forms of media. American Idol, the Olympics, the NBA, NASCAR, and other events are all sponsored by Coca-Cola.

What elements of the income statement point to possible risks of sustained revenue or profitability?

Coca-Cola disclosed 46 risk factors in its most recent earnings report. Coca-Cola reported the most risks in the "Production" category. Our ability to keep consumers confident in the reliability and calibre of all of our products is crucial to our business. We have high expectations for both the operations and our bottling partners to adhere to our strict product safety and quality requirements. However, despite our steadfast dedication to product safety and quality, we or our bottling partners occasionally have not met, and may not always meet, these standards. This is especially true as we broaden our product offerings through invention or acquisitions into beverage categories outside of our core beverage product line, like value-added dairy and plant-based beverages. If we or our bottling partners violate the relevant product safety and quality regulations, or if the beverage products we put on the market are or turn out to be tainted or adulterated in any way, we might be forced to conduct pricey product recalls and face product liability lawsuits and unfavorable press, which could hurt our business.

The top risk category for Pepsi Co, accounting for 7 of the stock's total 29 hazards, is Legal and Regulatory, . The next two significant risk categories are production and macro and political, with 6 and 5 risks, respectively. Pepsi Co recently updated three previously noted concerns and introduced one new risk factor. Pepsi Co emphasis the difficulty of functioning under more stringent restrictions relating to packaging waste in an updated Legal and Regulatory risk factor. It says that as a result of its efforts to promote environmentally friendly packaging options, authorities in many nations have issued various

packaging-related laws and prohibitions. It mentions restrictions on recycling as well as restrictions on some plastic packaging bans and charges. Pepsi Co warns that the increased regulations potentially raise company expenses and have a negative impact on the market for its goods. It also warns that incorrect handling of packaging trash associated with its brands could lead to bad press, legal action, and decreased demand for its goods.

Which company do you think is the best investment? The best credit risk? Why?

Coca-Cola and PepsiCo are both considered as reliable defensive investments in bad markets. Both packaged food manufacturers have enduring brands, generate significant revenue, frequently repurchase their own stock, and pay out considerable dividends. PepsiCo now offers a 2.6% forward dividend yield, while Coca-Cola pays a 2.7% forward yield. The market value of each stock is 26 times projected future earnings. Although those P/E ratios are a little high, they reflect the attractiveness of these assets as safe havens during this difficult bear market. Coca-Cola and PepsiCo are still great long-term investments. Yet if I had to choose one over the other right now, I would keep backing PepsiCo due to its company's higher level of market diversity in the packaged goods and beverage sectors. Due to its diversity, it was able to survive the pandemic better than Coca-Cola and may be capable of fighting off more challenges in the future.

If you were advising each company, what changes would you suggest to improve its long-term performance?

Strategic management is a key factor in a company's financial performance. This is due to the fact that it enables the business to outperform its competitors in terms of competitive advantage. Given the fierce competition in the soft drink industry, it is essential that the Coca-Cola Company's management considers implementing a number of strategic management ideas. By adopting customer attention, management may be able to better satisfy consumer requests. This enables it to produce its soft drink products in a way that enhances customer satisfaction. The CRM software will allow management to interact with consumers more effectively. CRM enables employees at the organization to seamlessly integrate client attention. With the intense rivalry in the industry, management must ensure that its products are properly positioned on the market. This is achieved by combining concepts from branding, sales promotion, product customization, and research and development. Research and development will enable the business to generate new products to meet market demand. With sales promotion, the firm will be able to increase market awareness of its items. The management should also embrace corporate social responsibility. By CSR, the business will gain a positive reputation that will help it carry out foreign direct investment more successfully. The Coca-Cola Corporation should promote good connections with its suppliers by utilizing the SRM concept. Due to the efficient supply of resources, this will allow it to run its activities cost-effectively.

PepsiCo excels at many things, and it should keep doing those things in the future. But, there are still several areas where PepsiCo can be better moving forward. One thing PepsiCo does well and has to continue doing in the future is making wise decisions when it comes to mergers and acquisitions. To grow their company, PepsiCo should continue

making successful mergers and acquisitions of snack, beverage, and bottling industries. 22 of PepsiCo's brands now generate more than \$1 billion in revenue each year. As a result, PepsiCo's capacity to generate significant revenue is not reliant on a select group of brands. Instead, Pepsi Co has a wide range of brands that benefit the sector as a whole. income for the company. Last but not least, Pepsi Co has a significant budget for marketing and advertising. These measures have been successful in growing the company's market share in comparison to its competitors.