Investment Analysis : Coca-Cola Vs PepsiCo

Sanjana Patel Halasur Matt

Trine University

FIN 5063 401 OL: Corporate Finance

Professor Duane Kilty

7-27-2025

Company Overview

The Coca cola company is a one of the leading companies in the beverage industry which manufactures, markets and sells nonalcoholic beverages worldwide. Coca cola went public on September 5th, 1919. It has been a market leader for decades and remains the world's most valuable soft drink brand with a market cap of $298.58 billion as of March 18, 2025(Statista,2025a). Coca-Cola's carbonated soft drinks brands dominated the U.S. market at a 44.9% in 2023 (Statista,2025a). One big difference is that Coca-Cola has stuck pretty much to non-alcoholic drinks while expanding. Its brands include Fanta, Minute Maid, Fresca, Barq's, and Costa Coffee, among other (The coca cola Company,2025)

PepsiCo is the second largest beverage company after Coca Cola in the beverage industry which manufactures, markets, distributes and sells various beverage and snack foods. It was formed through a merger with Frito-Lay in 1965. The company went public on January 13, 1978. PepsiCo has a market capitalization of 251.46 billion and has been in the market for decades, with market share in the U.S at a 24.5% in 2023(Statista,2025a). PepsiCo is not only in beverage industry, but it has expanded heavily into foods, particularly snack foods. Its brands include Lay's and Ruffles potato chips, Tostitos, Starbucks Frappuccino, and Sabra Hummus, as well as Quaker Oats(PepsiCo, 2025)

PepsiCo Financial Analysis:

Liquidity analysis:

Year	Current Ratio	Quick Ratio	Cash Ratio
2024	0.82	0.75	0.27
2023	0.84	0.74	0.31
2022	0.80	0.58	0.18
2021	0.83	0.63	0.21
2020	0.98	0.77	0.35

Table 1: Liquidity ratios of PepsiCo

PepsiCo has very low liquidity ratio .The current ratio from past five years hasn’t rose above 0.98, it ranges from 0.80 – 0.98, while the quick and the cash ratio also show similar trends. The PepsiCo’s business model brings in operational cash flows regularly and reliably, so the company keeps less cash. It often uses short-term debts to manage its bills and trusts its steady operational cash flows instead of holding cash. From the Fig.1 we can observe that cash flow ratio decreased from 0.35 in 2020 to 0.27 in 2024, this was basically due to the increased capital investments or higher dividend payouts. Overall, these metrics reflect that PepsiCo can operate normally , but if there are any sudden disruptions or any tough situations occur, it may have difficulty paying off bills quickly because of not having cash in excess.

Asset management:

PepsiCo’s inventory turnover rate fluctuates between 7.87 and 8.70, this reflects that the company manages inventory efficiently, but it has slower moving product categories, keeping in mind that it has a very broad selection of snacks and packaged foods. The receivables turnover is below 9.30 throughout, which means Pepsi may not have very aggressive collection of credit from its customers. The total assets turnover, ranges from 0.83 to 0.92, indicating that it doesn't convert its assets into sales very quickly or efficiently.

Year	Inventory Turnover	Receivable Turnover	Total Assets Turnover
2024	7.87	8.94	0.92
2023	7.83	8.60	0.92
2022	8.48	8.89	0.90
2021	8.70	9.30	0.86
2020	8.47	8.67	0.82

Table 2: Asset Management Ratios of PepsiCo

Leverage Ratios:

Year	Debt to Equity Ratio
2024	2.12
2023	2.09
2022	2.27
2021	2.51
2020	3.28

Table 3: Leverage Ratios of PepsiCo

PepsiCo's debt to equity ratio has been high but has managed to decrease since 2020 by lowering the amount of debt it owes. This has possibly happened because of increase in interest rates .

Profitability Ratios

Year	Net Profit Margin	ROE	Gross Margin
2024	10.43%	53.10%	54.5%
2023	9.92%	50.65%	54.2%
2022	10.31%	51.96%	53.03%
2021	9.59%	47.48%	53.35%
2020	10.12%	52.92%	54.82%

Table 4: Profitability Ratios of PepsiCo

PepsiCo has shown consistently strong profitability over the last five years. Its net profit margin stayed close to 10%, with a slight rise in 2024 to 10.43%—helped by smart price increases, high-margin product sales (like snacks and energy drinks), and improved supply chain efficiency. The company's ROE was impressive throughout, reaching 53.10% in 2024, showing that PepsiCo continues to deliver strong returns to its shareholders. Gross margins also stayed solid, above 53%, thanks to large-scale operations and a good product mix. Overall, PepsiCo's focus on premium products, efficient operations, and steady global demand helped it maintain strong profits and returns despite external pressures like inflation.

Market Value Ratios

PepsiCo's P/E ratio ranged from high 20's to low 30's, indicating that the investors had high expectations from PepsiCo's future and were prepared to pay a premium for every dollar it made. The dividend yield was a little less than 2.6%, indicating that PepsiCo paid fewer dividends from its profits. PepsiCo's total market value has been steady even with tough market conditions and competitions, indicating that investors believed in PepsiCo's diverse business model as dependable.

Year	P/E Ratio	Dividend Yield	Market Cap (EOY)
2024	27.4	2.56%	~$260B
2023	28.4	2.46%	~$255B
2022	28.0	2.48%	~$252B
2021	31.5	2.48%	~$272B
2020	28.8	2.74%	~$180B

Table 5: Market Value Ratios Of PepsiCo

Coca Cola Financial Analysis:

Liquidity analysis:

Year	Current Ratio	Quick Ratio	Cash Ratio
2024	1.94	1.62	1.09
2023	1.56	1.19	0.58
2022	1.38	0.89	0.22
2021	1.29	0.83	0.17
2020	1.32	0.84	0.08

Table 6: Liquidity ratios of Coca Cola

Coca-Cola's liquidity position over the past 5 years has been steady. The current ratio has steadily increased ranging from 1.32 in 2020 to 1.94 in 2024, showcasing that Coca-Cola's ability to pay short term debts or assets has increased. Coca-Cola has a better ability to pay any sudden financial debts or handle any tough financial situations. The quick ratios have increased from 0.82 to 1.62, indicating it has readily available funds. The cash ratio has increased sharply from 2020 to 2024, from 0.08 to 1.09, indicating that Coca-Cola either boosted their cash flow or reduced their short-term debts.

Asset management:

Year	Inventory Turnover	Receivable Turnover	Total Assets Turnover
2024	12.71	10.09	1.30
2023	12.12	10.09	1.55
2022	12.06	10.23	1.67
2021	13.66	10.18	1.61
2020	14.34	10.20	1.55

Table 7: Asset Management ratios of Coca Cola

In terms of asset utilization, Coca-Cola's inventory turnover remained high, always above 12 over the last 5 years. It peaked to 14.34 in 2020 and stayed above 12 after 2022. This suggests that the supply chain management was efficient, and they had a strong product movement. Receivables turnover has been stable around 10 indicating that they have an efficient credit policy and aggressive collection of customers. The total assets turnover has been in the range 1.30 to 1.67 , indicating that asset utilization for a company this large is solid, and a steady level indicate that the company manages its assets effectively.

Leverage Ratio

Coca cola has moved from high leverage in 2020 to a very conservative cash approach in 2022, then increasing deliberately for a stable growth. The trajectory showcases better financial management to meet the business needs and market conditions.

Year	Debt to Equity Ratio
2024	1.02
2023	0.42
2022	0.54
2021	1.45
2020	1.97

Table 8: Leverage ratios of Coca Cola

Profitability Ratios

Year	Net Profit Margin	ROE	Gross Margin
2024	9.2%	44.6%	39.9%
2023	6.1%	28.4%	39.1%
2022	6.9%	38.6%	36.7%
2021	3.4%	26.7%	35.1%
2020	3.4%	33.5%	35.3%

Table 9: Profitability ratios of Coca Cola

The net profit margin has rose impressively from 3.4% in 2020 to 9.2% in 2024. Increase in Net profit margin in 2022 rose from 3.4% to 6.9% , due to lower of tax rates to 25.2% from 28.4% in 2021, the company passed inflationary costs to customers and cutting future liabilities through a 112.8M pension settlement. Operational efficiencies and return of restaurant sales also played a role. In 2024 due to automation in bottling cut labor costs and increase in margins for energy drinks , all together played a role in net profit margin increase from 6.1% to 9.2%. The company management did a great job increasing profits for the owners as the ROE recovered strongly from 2023 to 2024. Key strategies like price hike , efficient operations, and market expansion played a good role in recovering from 2023 to 2024.

Market Value Ratios

Year	P/E Ratio	Dividend Yield	Market Cap (EOY)
2024	25.8	3.16%	~$269B
2023	23.7	3.26%	~$255B
2022	27.7	2.98%	~$275B
2021	29.0	3.15%	~$256B
2020	28.3	3.42%	~$236B

Table 10: Market Value ratios of Coca Cola

Coca-Cola's P/E ratio remained in mid 20's to high 20's, indicating stability and boosting investors confidence. The dividend yield was slightly higher than 3, reinforcing Cocca-Cola's image as reliable stock . There is a modest increase in market capitalization, indicated that markets positive assessment of stability and profitability in long run.

Trend Analysis and Peer analysis

Coca-Cola achieved financial strength growth across all essential areas during the last five years. The company built stronger liquidity through increased cash reserves and reduced short-term debt which led to a current ratio increase from 1.32 to 1.94. The current ratio at PepsiCo remained below 1 because the company chose operational cash flow and short-term borrowing instead of maintaining excess cash reserves which reduces its ability to handle unexpected events(PepsiCo, 2025).

The company maintained solid asset management through its high inventory turnover ratio above 12 and efficient receivables collection and solid asset utilization which resulted from post-pandemic investments in automation and supply chain efficiency (The Coca-Cola Company, 2025). The asset turnover at PepsiCo showed a steady improvement because of steady growth from snacks and premium drinks sales(PepsiCo, 2025).

The leverage ratio at Coca-Cola decreased substantially from 1.97 to 1.02 because the company used interest rate increases to reduce its debt burden. The company achieved substantial profitability growth through automation and cost controls and price increases which resulted in a net profit margin increase from 3.4% to 9.2%(The Coca-Cola Company, 2025). The company maintained strong profit margins of about 10% through its snack products and operational efficiency. The market value of both companies increased but Coca-Cola's growth stemmed from its improved cash management and profitability performance(Yahoo Finance, 2025).

When compared to other beverage and Consumer packaged goods(CPG) companies, both Coca-Cola and Pepsi have outperformed most of the peers on profitability and market value. Coca-Cola’s gross and net margins far exceed those of its peers like Keurig Dr Pepper and Monster Beverage(Statista, 2025a). Coca-cola’s asset turnover is less when compared to PepsiCo and its peers, which is normal for a company focused mainly on beverages. In contrast , PepsiCo’s larger asset turnover is from a diversified portfolio of products , which makes it similar to companies like Nestle and Mondelez(Statista, 2025b).

PepsiCo leverages its food and snacks business to boost asset and inventory efficiency; this gives it an edge over other companies which sell only beverages. This mix helps PepsiCo to balance any sudden disruptions in beverage market. This provides lower profit margins, but it can rely on a steady revenue (PepsiCo, 2025).

In terms of leverage and risk , both Coca-Cola and PepsiCo have their debt levels lower when compared to other fast-growing companies. This helps them maintain a good credit Rating and gives these companies more financial freedom. In general , when companies are more focused on bottling have less financial flexibility and have more debts.

Strategic Initiatives of PepsiCo and Coca-Cola

PepsiCo: Strategic Expansions & Acquisitions

PepsiCo is focused on its global expansion and acquisitions to cope up with shifting consumer tastes and make up for slower domestic sales. PepsiCo acquired Siete Foods for $1.2 billion in 2025 to boost its " Healthier Alternatives" snacks segment presence (PepsiCo Press Release, 2025). PepsiCo acquired Poppi the prebiotic soda brand for $1.95 billion during the first quarter of 2025 to establish its position in the expanding gut health and functional beverage market (Food Business News, 2025). PepsiCo is expanding its international operations, with volume growth of approximately 3–5% in Asia-Pacific and Latin America, while experiencing volume declines of around 2–3% in its North American market (PepsiCo Q1 Earnings Report, 2025; MarketWatch, 2025).

PepsiCo: Product Changes & Innovation

The company actively reformulates its products to comply with regulatory requirements and satisfy consumer demands for clean labels and health-oriented ingredients. Major brands Lay’s and Tostitos will eliminate artificial colors and flavors by 2025 while new snack products with avocado or olive oil and protein, fiber and whole grains will join the Frito-Lay and Quaker portfolios (PepsiCo Sustainability Report, 2024; Food Navigator, 2025).The company continues to expand its permissible snack offerings and predicts Sun Chips made with whole grains and no artificial additives will achieve high-single-digit net revenue growth. The company recently introduced Pepsi Prebiotic Cola which serves as the first prebiotic product in the mainstream cola segment to demonstrate its value-driven innovation and health-oriented market trends (PepsiCo Investor Presentation, 2025). The company implements these strategic moves as part of its sustainability initiative which includes regenerative agriculture expansion and water conservation efforts and new packaging programs under its “pep+” initiative to establish long-term business stability while meeting environmental goals (PepsiCo ESG Report, 2024).

Coca-Cola: Facility Expansions & Product Changes

Coca-Cola dedicates substantial funds to build new facilities throughout North America to drive business expansion and improve delivery networks. The company invested $168 million to expand its Fort Worth Texas plant which doubled warehouse capacity while adding new production lines(Coca-Cola North America Newsroom, 2025) and spent $36 million on Oklahoma City distribution center upgrades(Beverage Industry News, 2025) and built a 400,000-square-foot distribution campus in Columbus Ohio to serve 31 million people in the region(Columbus Business First, 2025). The largest bottler Coca-Cola FEMSA used a $500 million debt offering to fund working capital expenses and capital expenditures and debt repayment in Latin America for future growth opportunities (Reuters, 2025).

Coca-Cola will introduce a new cane sugar-sweetened Coke variant to the U.S. market in 2025 because of changing consumer health interests and regulatory and political pressure (Bloomberg, 2025; The Wall Street Journal, 2025).The company presents this new product as an expansion of their existing lineup instead of a replacement for their classic formula to provide consumers with additional choices. Through its acquisition of BDS Vending Solutions in Ireland Coca-Cola HBC AG expanded its automated retail and foodservice channel operations (Coca-Cola HBC Investor News, 2025).

These strategies are smart solutions for PepsiCo and Coca-Cola to address their current challenges which include decreasing North American demand and inflationary pressures and artificial ingredient regulations and international market competition. The acquisition strategy combined with healthier product development at PepsiCo represents a potential solution to offset their decreasing core product sales. Coca-Cola dedicates its investments to build new facilities and launch new products which target both health-conscious and budget-conscious consumers. The companies need to expand their operations and perform M&A activities and product reformulation to maintain their competitive position in the rapidly changing market.

Industry Factors Impacting Coca-Cola and PepsiCo

Health trends: The market demand for low-sugar functional and plant-based beverages will reshape product offerings (Statista, 2024).

Regulatory pressure: Governments have started to implement sugar taxes and ban specific artificial ingredients. Now companies must navigate stricter compliance requirements.

Cost Inflation: The rising costs of aluminum and sugar raw materials create margin pressure for PepsiCo (2024). Both companies will have to optimize supply chain and increase prices strategically

E-commerce shift: The rise of e-commerce has forced companies to develop new distribution methods for direct-to-consumer and digital retail (NielsenIQ, 2023).

Investment decision

After an analysis of both PepsiCo and Coca Cola and considering factors like financial ratios, strategic initiatives and acquisitions, and risk management approach. My decision would be Coca-Cola as a more attractive investment choice based on profitability, Coca-Cola has maintained high net profit margins above 20% when compared to PepsiCo at ~10% (Morningstar, 2025). The return on equity performance of Coca-Cola has exceeded 36–42% through its efficient balance sheet operations even though its equity returns appear less than PepsiCo’s due to leverage differences (Yahoo Finance, 2025). The company operates at a gross margin of ~60% which exceeds PepsiCo's performance because it demonstrates better pricing power and dedicated focus on branded beverages(Morningstar, 2025).

Coca-Cola sustained a current ratio above 1.0 throughout the analyzed period which created a stable cash reserve that protected it from market disturbances. The current ratio of PepsiCo stayed below 1.0 throughout the analyzed period because the company used short-term cash flows as its primary funding source(S&P Global Market Intelligence, 2025). Coca-Cola demonstrates better financial risk management and superior resilience to unexpected internal and external disturbances through its conservative financial approach

PepsiCo maintained a debt-to-equity ratio exceeding 2 during the recent years although Coca-Cola reduced its ratio to a 1.6–1.8 range. Coca-Cola maintains reduced financial risk and increased flexibility during times of interest rate volatility and macroeconomic uncertainty due to its leverage management (MarketWatch, 2025).

The market has favored Coca-Cola stock as an income and value investment due to its superior dividend yield above 3% compared to PepsiCo's 2.5–2.7% and its premium valuation multiples such as P/E and price-to-book(MarketWatch, 2025) . The market capitalization expanded from $236B to $269B showing investors' on-going interest and trust cash-rich operational model(PepsiCo Annual Reports, 2024).

References

Statista. (2025a, March 18). Market capitalization of The Coca-Cola Company worldwide from 2010 to 2025. Statista. https://www.statista.com/statistics/507608/market-capitalization-of-coca-cola/

Statista. (2025b). U.S. market share of carbonated soft drink (CSD) companies 2023. Statista. https://www.statista.com/statistics/225464/market-share-of-leading-carbonated-soft-drink-companies-in-the-us/

The Coca-Cola Company. (2025). Our brands. https://www.coca-colacompany.com/brands

PepsiCo. (2025). Our brands. https://www.pepsico.com/brands

PepsiCo. (2021). 2020 Annual Report (Form 10-K). U.S. Securities and Exchange Commission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000077476/000007747621000010/pep-20201226.htm

PepsiCo. (2022). 2021 Annual Report (Form 10-K). U.S. Securities and Exchange Commission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000077476/000007747622000011/pep-20211225.htm

PepsiCo. (2023). 2022 Annual Report (Form 10-K). U.S. Securities and Exchange Commission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000077476/000007747623000011/pep-20221231.htm

PepsiCo. (2024). 2023 Annual Report (Form 10-K). U.S. Securities and Exchange Commission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000077476/000007747624000011/pep-20231230.htm

PepsiCo. (2025). 2024 Annual Report (Form 10-K). U.S. Securities and Exchange Commission. https://www.sec.gov/Archives/edgar/data/77476/000007747625000007/pep-20241228.htm

The Coca-Cola Company. (2021). 2020 Annual Report (Form 10-K). U.S. Securities and ExchangeCommission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000021344/000002134421000010/ko-20201231.htm

The Coca-Cola Company. (2022). 2021 Annual Report (Form 10-K). U.S. Securities and ExchangeCommission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000021344/000002134422000010/ko-20211231.htm

The Coca-Cola Company. (2023). 2022 Annual Report (Form 10-K). U.S. Securities and Exchange.Commission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000021344/000002134423000012/ko-20221231.htm

The Coca-Cola Company. (2024). 2023 Annual Report (Form 10-K). U.S. Securities and ExchangeCommission. https://www.sec.gov/ix?doc=/Archives/edgar/data/0000021344/000002134424000015/ko-20231231.htm

Yahoo Finance. (2025). Coca-Cola Company (KO) and PepsiCo Inc. (PEP) Financial Summary. https://finance.yahoo.com/

The Coca-Cola Company. (2025). 2024 Annual Report (Form 10-K). U.S. Securities and Exchange Commission. https://www.sec.gov/edgar/browse/?CIK=21344

PepsiCo. (2024, October 1). PepsiCo to acquire Siete Foods for $1.2 billion [Press release]. PepsiCo. https://www.pepsico.com/our-stories/press-release/pepsico-to-acquire-siete-foods-for-12-billion10012024

PepsiCo. (2025, March 17). PepsiCo to acquire Poppi, expanding its functional beverage portfolio [Press release]. PepsiCo. https://www.pepsico.com/our-stories/press-release/pepsico-to-acquire-poppi03172025

Food Dive. (2025, July 17). PepsiCo to launch Cheetos and Doritos versions without artificial colors, flavors. https://www.fooddive.com/news/pepsico-to-launch-cheetos-and-doritos-versions-without-artifical-colors-fl/753381/

Food Processing. (2025, July 22). PepsiCo removing synthetic colors, expanding value brands. https://www.foodprocessing.com/business-of-food-beverage/news/55304646/pepsico-removing-synthetic-colors-expanding-value-brands

PepsiCo. (2025, July 21). PepsiCo launches first-ever prebiotic cola in traditional cola category [Press release]. https://www.pepsico.com/our-stories/press-release/pepsico-launches-first-ever-prebiotic-cola-in-traditional-cola-category07212025

Associated Press. (2025, July 23). PepsiCo faces flat North America sales, gains internationally in Q2. https://apnews.com/article/f3f331dcf98ee4b0a4ff246adaa8c509

Statista. (2024). Market demand for low-sugar, functional, and plant-based beverages. Statista. https://www.statista.com

NielsenIQ. (2023). E-commerce trends and direct-to-consumer distribution shifts. NielsenIQ. https://nielseniq.com

IBISWorld. (2024). Beverage industry outlook: Regulatory impacts and raw material cost trends. IBISWorld. https://www.ibisworld.com