



EQUITY RESEARCH REPORT

PEPSICO

BY: Sachin Mittal



PEPSICO



**CREATING MORE
SMILES WITH EVERY SIP
AND EVERY BITE**



PEPSICO

COMPANY DATA

- ❖ **Region:** New York
- ❖ **Sector:** Consumer Staples
- ❖ **Industry:** Beverages - Non-Alcoholic
- ❖ **Ticker:** PEP
- ❖ **Stock Exchange:** Nasdaq
- ❖ **Reporting Currency:** USD
- ❖ **Market Cap (In Trillion):** ₹17.084 (approx.)
- ❖ **Fiscal Year End:** December
- ❖ **Shares Outstanding (In Million):** ~1,371
- ❖ **52 Week High:** \$183.41
- ❖ **52 Week Low:** \$141.51

INVESTMENT SUMMARY

I recommend a “**BUY**” on PepsiCo based on 1 year target price of **\$190.5** per share, offering a **7%** upside potential from its closing price of **\$177.21** per share on 16th of September. My recommendation is primarily driven by:

1. **Brand Recognition:** With global brands like Pepsi, Lay's, and Quaker, PepsiCo has established significant brand equity. This helps it maintain strong pricing power and consumer loyalty.
2. **Valuation:** Valuation methods like DCF and Trading Comps indicate a current intrinsic value of **\$188.8** per share. PepsiCo offers a long-term upside of **7%** as the "PepsiCo Positive (pep+)" strategy emphasizes environmental stewardship and health-oriented products, giving the company a competitive edge with environmentally conscious consumers and investors.
3. **Growth Strategy:** Growing middle-class populations in Asia, Africa, and Latin America provide growth potential. Enhancing eco-friendly practices and leveraging renewable energy can boost brand loyalty.



OVERVIEW

PepsiCo, Inc. is one of the world's largest food and beverage companies, renowned for its diverse portfolio of iconic brands and global presence. Founded in 1965 through the merger of Pepsi-Cola and Frito-Lay, PepsiCo operates in more than 200 countries and territories.

Key Business Segments

PepsiCo's operations are categorized into several segments:

- Beverages:** Includes brands like Pepsi, Mountain Dew, Tropicana, Gatorade, 7UP, and Aquafina. The company is a major player in carbonated soft drinks, bottled water, energy drinks, and ready-to-drink teas and coffees.
- Snacks:** Led by Frito-Lay, this segment includes popular brands like Lay's, Doritos, Cheetos, and Tostitos.
- Foods:** Offers a wide range of products through brands such as Quaker Oats, Aunt Jemima (now Pearl Milling Company), and Cap'n Crunch.
- Healthier Options:** PepsiCo has been expanding its portfolio to include more health-conscious products such as low-sugar drinks, plant-based snacks, and functional beverages.

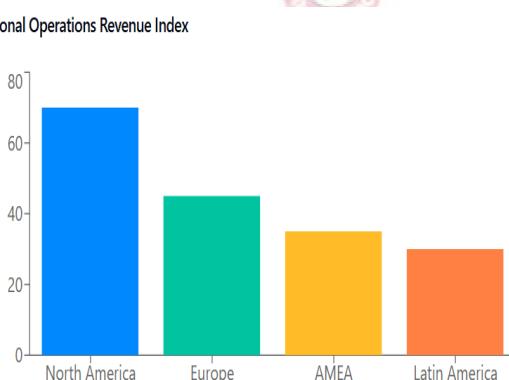
Financials

PepsiCo is a Fortune 500 company with a strong revenue base, often exceeding \$70 billion annually. Its business strategy focuses on both high-margin premium products and broad, affordable options that cater to a wide demographic.

Global Operations

The company organizes its international business into geographic divisions such as:

- North America:** Largest market, including PepsiCo Beverages North America (PBNA) and Frito-Lay North America (FLNA).
- Europe:** Offers a mix of local and global brands.



- **Asia, Middle East, and Africa (AMEA):** A key growth market due to increasing demand for snacks and beverages.
- **Latin America:** Focused on beverages, snacks, and traditional Latin American foods.



Sustainability Efforts

PepsiCo has committed to various sustainability goals under its “PepsiCo Positive (pep+)” strategy:

- Reducing greenhouse gas emissions.
- Improving water stewardship.
- Promoting regenerative agriculture.
- Expanding healthier product offerings.



Innovation

PepsiCo invests heavily in research and development, leveraging technologies like AI and data analytics to understand consumer preferences and optimize its supply chain. Recent innovations include healthier product formulations, sustainable packaging, and new product lines.



PepsiCo's dynamic product portfolio, global scale, and focus on sustainability position it as a leader in the food and beverage industry.



PepsiCo Revenue Performance

\$22.5B
Revenue

Organic Growth
+1.9%

*Organic growth slightly below market expectations

Earnings Per Share Performance

Core EPS

\$2.28 +9%

Above Analyst Estimates

GAAP EPS
\$2.23

+13%



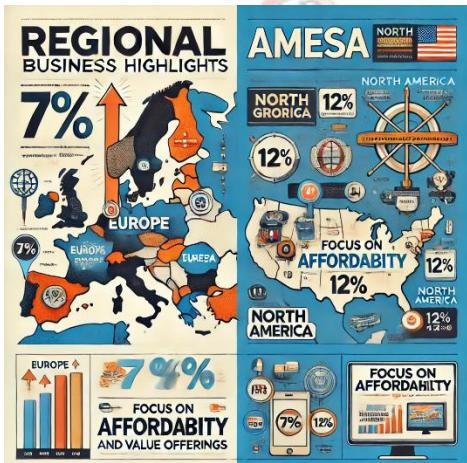
PepsiCo Division Performance

Frito-Lay NA
Modest Growth
Volume Softness

Quaker Foods NA
-18% Revenue
Product Recalls

PepsiCo Beverages NA
+1% Growth
Strong Innovation

Mixed performance across divisions with challenges in Quaker Foods offset by beverage innovation



PepsiCo Financial Outlook 2024

Organic Revenue Growth

Revised Target
4%
(Previously "at least 4%")

Core EPS Growth

Target:
9%+
(Constant Currency)

CONCALL HIGHLIGHTS

Here are the key highlights from PepsiCo's earnings call for the second quarter:

Financial Performance:

1. Revenue Growth: PepsiCo reported net revenues of \$92 billion, reflecting a 5.9% year-over-year growth. Organic revenue growth was 4%, slightly below market expectations.

2. Earnings: Core earnings per share (EPS) grew by 9% to \$2.17, surpassing analyst estimates, while GAAP EPS rose by 14% to \$1.96.

Segment Results:

a. Frito-Lay North America: Revenue grew modestly, though there was some softness in volume attributed to inflationary pressures and slower demand.

b. Quaker Foods North America: Performance was impacted by product recalls, leading to a 13% decline in organic revenue.

c. PepsiCo Beverages North America: Achieved 0.52% organic revenue growth, driven by strong execution in marketing and product innovation.

Regional Highlights:

1. International Markets: Notable growth was observed in regions like Europe (4.84%) and AMESA (1.27%), contributing to the company's overall performance.

2. North America: Continued focus on affordability and value offerings, with investments in advertising to support key brands.

Challenges:

- The **convenient foods segment** faced headwinds in North America due to reduced consumer spending and promotional responsiveness.
- Latin America experienced weaker-than-expected performance, partly due to economic challenges.

Outlook for 2024:

- 1. Revenue Guidance:** PepsiCo revised its organic revenue growth forecast to around 4%, down from "at least 4%".
- 2. EPS Growth:** Core constant currency EPS is expected to increase by at least 9% for the year.

Strategic Priorities:

PepsiCo Strategic Priorities 2024+



1. PepsiCo plans to continue driving productivity and investing in marketing to strengthen its competitive position.

2. Efforts are focused on expanding in fast-growing international markets and improving the performance of the Quaker Foods segments.

These highlights show PepsiCo's resilience amidst challenging macroeconomic conditions while maintaining a long-term growth strategy.

PEPSICO

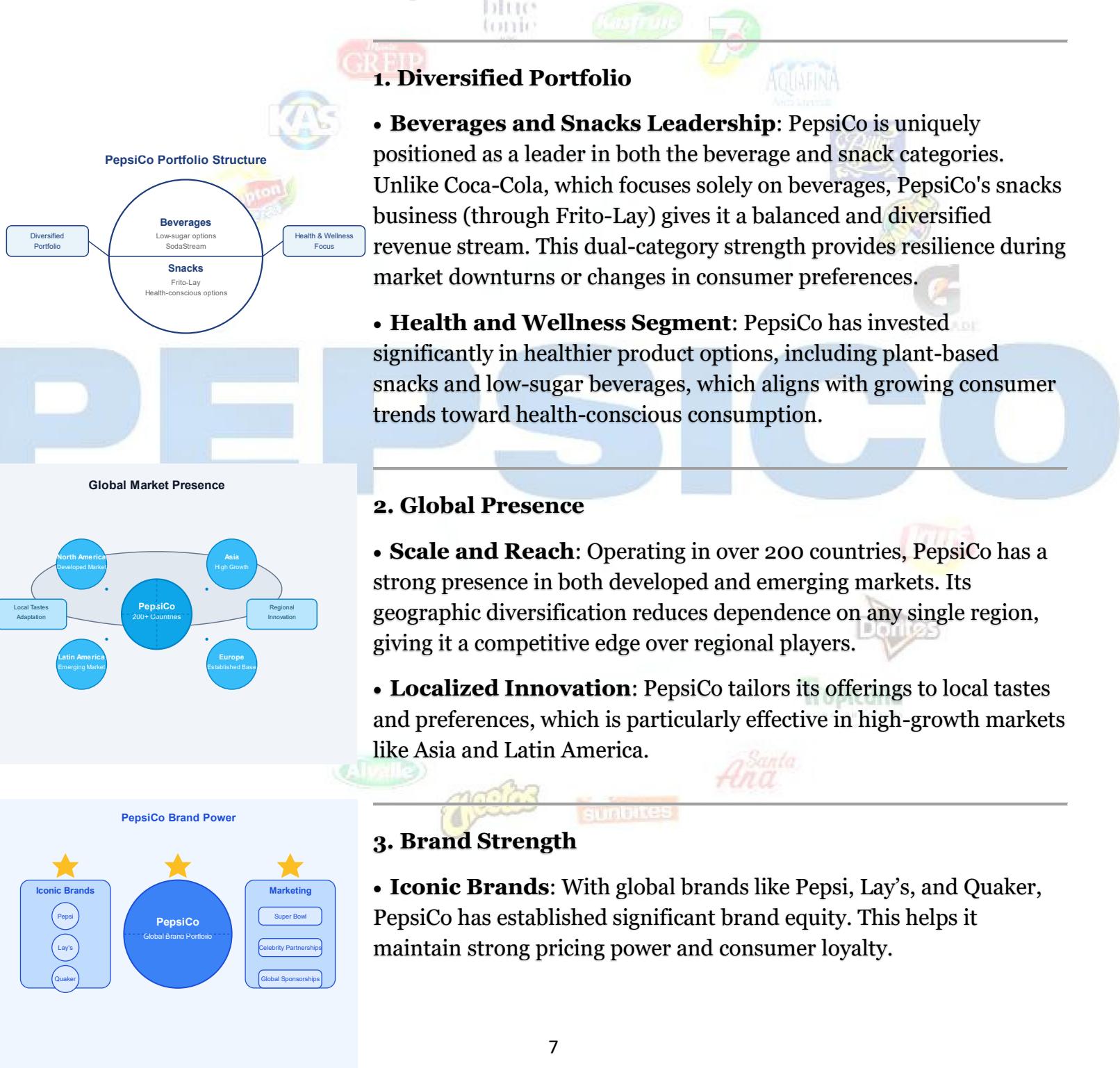
PROFITABILITY ANALYSIS

The profitability analysis reveals a consistent performance in the company's profit margins, with gross profit margins ranging from 53% to 55%, EBIT margins steady at 15%-16%, and net income margins stable at 10%-12%. These figures highlight effective cost and expense management, ensuring profitability even amid sales growth fluctuations. Sales growth shows inconsistency, peaking at 13% but dropping to 5% and 6% in subsequent periods, reflecting challenges in achieving sustained revenue expansion. While the stability in profit margins indicates resilience, the lack of upward improvement suggests limited scalability or operational enhancements over time.

To strengthen overall profitability, the company should focus on strategies to drive consistent and higher sales growth, such as expanding into new markets or diversifying its product portfolio. Additionally, improving operational efficiency and optimizing cost structures can help enhance EBIT and net income margins, ensuring long-term growth and profitability in an increasingly competitive market environment.

COMPETITIVE POSITIONING

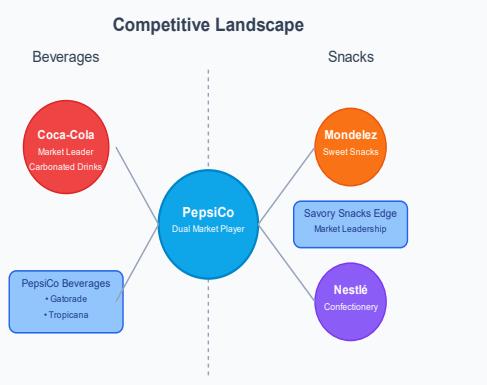
PepsiCo's competitive positioning is defined by its ability to leverage a diversified product portfolio, a global operational footprint, and robust marketing capabilities. Here's an analysis of its positioning relative to competitors like Coca-Cola, Mondelez, and Nestlé:



- **Marketing Prowess:** PepsiCo invests heavily in advertising and sponsorships, including partnerships with high-profile events like the Super Bowl and collaborations with celebrities, strengthening its cultural relevance.

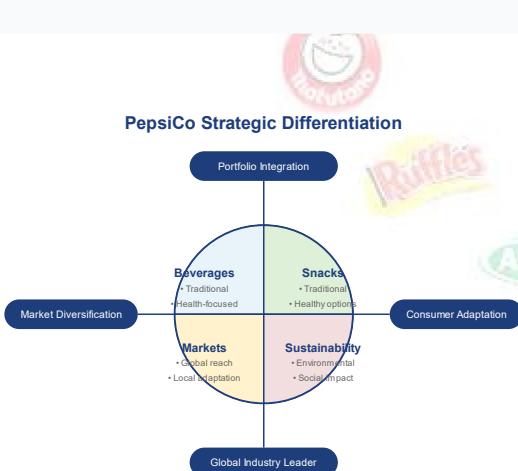
4. Innovation and Sustainability

- **Product Innovation:** PepsiCo consistently introduces new products to capture changing consumer trends, such as energy drinks, functional beverages, and sustainable packaging initiatives.
- **Sustainability:** The "PepsiCo Positive (pep+)" strategy emphasizes environmental stewardship and health-oriented products, giving the company a competitive edge with environmentally conscious consumers and investors.



5. Competitive Challenges

- **Beverage Competition:** Coca-Cola remains a dominant competitor in beverages with greater global market share, particularly in the carbonated soft drinks segment. PepsiCo counters this with strong performance in non-carbonated beverages like Gatorade and Tropicana.
- **Snack Market Competition:** Companies like Mondelez (Oreo, Ritz) and Nestlé also pose challenges in the snack and confectionery segments, but PepsiCo's focus on savory snacks has helped it maintain a distinct edge.

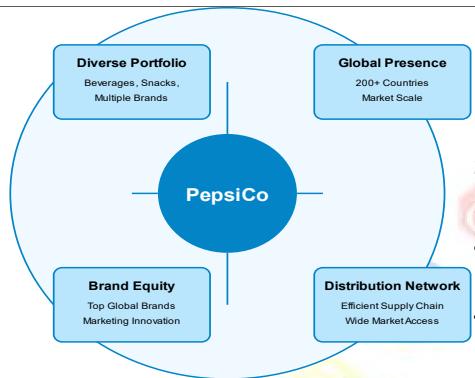


Strategic Differentiation

PepsiCo stands out by blending its extensive snack and beverage portfolios, targeting diverse markets, and adapting to consumer demand for healthier, sustainable products. This integrated approach makes PepsiCo a formidable competitor across the global food and beverage industry.

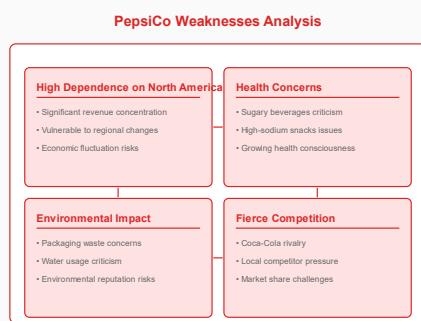
SWOT ANALYSIS

Strengths:



- Diverse Product Portfolio:** PepsiCo offers a wide range of beverages and snacks, including iconic brands like Pepsi, Lay's, Quaker, and Gatorade, catering to diverse consumer preferences.
- Global Presence:** Operating in over 200 countries, PepsiCo benefits from economies of scale and market penetration.
- Strong Brand Equity:** It ranks among the top global brands, supported by innovative marketing strategies and sponsorships.
- Robust Distribution Network:** An efficient supply chain ensures product availability across various markets.

Weaknesses:



- High Dependence on North America:** Despite its global footprint, a significant portion of its revenue is derived from the North American market, making it vulnerable to regional economic changes.
- Health Concerns:** A large part of its portfolio comprises sugary beverages and salty snacks, which face scrutiny amid rising health consciousness.
- Environmental Impact:** Criticism regarding packaging waste and water usage in operations can tarnish its reputation.
- Fierce Competition:** Intense rivalry with Coca-Cola and other local players impacts market share.

Opportunities:



- Expansion into Emerging Markets:** Growing middle-class populations in Asia, Africa, and Latin America provide growth potential.
- Product Diversification:** Investing in healthier and plant-based options aligns with evolving consumer trends.
- Sustainability Initiatives:** Enhancing eco-friendly practices and leveraging renewable energy can boost brand loyalty.
- Digital Marketing:** Leveraging social media and e-commerce can drive direct consumer engagement.

Threats:



- Regulatory Challenges:** Stricter health regulations and taxes on sugary drinks could impact sales.
- Economic Instability:** Fluctuations in currency and inflation rates can affect profitability in international markets.

3. **Changing Consumer Preferences:** Shift towards organic and local products could erode market share.
4. **Supply Chain Disruptions:** Geopolitical tensions and global crises can disrupt operations.

By leveraging strengths and addressing weaknesses while seizing opportunities and mitigating threats, PepsiCo can maintain its competitive edge.



1. Market Competition- PepsiCo operates in highly competitive markets, facing challenges from rivals like Coca-Cola and regional beverage and snack companies. Intense competition may pressure pricing, market share, and profitability.

2. Consumer Preferences- Shifts toward healthier lifestyles and preferences for low-sugar or natural products could reduce demand for PepsiCo's traditional beverages and snacks.

3. Supply Chain Disruptions- Dependence on global supply chains exposes PepsiCo to risks such as raw material shortages, increased transportation costs, and geopolitical tensions.

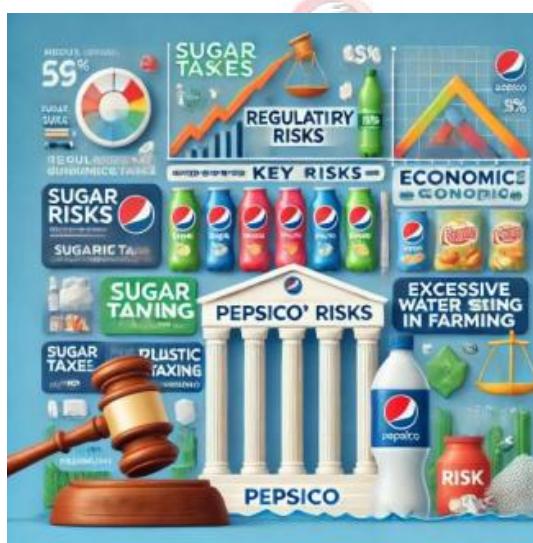
4. Regulatory Risks- Increasing regulations on sugar-sweetened beverages and snack foods, such as taxes or bans, could negatively impact sales and profitability.

5. Economic Conditions- Economic slowdowns or inflation can affect consumer purchasing power and reduce demand for premium products.

6. Environmental and Sustainability Issues- PepsiCo faces scrutiny over plastic packaging, water usage, and carbon emissions, which could lead to reputational damage or regulatory penalties.

7. Currency and International Risks- With a significant portion of revenue coming from international markets, the company is vulnerable to currency fluctuations and political instability in emerging markets.

8. Brand and Reputation Management- Negative publicity, product recalls, or marketing missteps could harm the company's reputation and affect consumer trust.



Financials

Dupont Analysis- Return On Equity and Return on Assets

Return On Equity ROE

	12 Month Dec-19	12 Month Dec-20	12 Month Dec-21	12 Month Dec-22	12 Month Dec-23	12 Month Dec-24
Net Profit	7,314	7,120	7,618	8,755	9,074	9,578
Share Holder Equity	14868	13552	16151	17273	18637	18171
Return On Equity (ROE)	49%	53%	47%	51%	49%	53%

ROE Dupont Equation

	12 Month Dec-19	12 Month Dec-20	12 Month Dec-21	12 Month Dec-22	12 Month Dec-23	12 Month Dec-24
Net Profit	7,314	7,120	7,618	8,755	9,074	9,578
Revenue	67,161	70,372	79,474	86,392	91,471	91,854
Net Profit Margin A	11%	10%	10%	10%	10%	10%
Revenue	67,161	70,372	79,474	86,392	91,471	91,854
Average Total Assets	78547	92918	92377	92187	100495	99467
Assets Turn over Ratio B	0.9	0.8	0.9	0.9	0.9	0.9
Average Total Assets	78547	92918	92377	92187	100495	99467
Share Holder Equity	14868	13552	16151	17273	18637	18171
Equity Multiplier C	5.28	6.86	5.72	5.34	5.39	5.47
Return On Equity (A*B*C)	49%	53%	47%	51%	49%	53%

Return On Assets (ROA)

	12 Month Dec-19	12 Month Dec-20	12 Month Dec-21	12 Month Dec-22	12 Month Dec-23	12 Month Dec-24
Net Profit	7,314	7,120	7,618	8,755	9,074	9,578
Average Total Assets	78547	92918	92377	92187	100495	99467
Return On Equity	9%	8%	8%	9%	9%	10%

ROA Dupont Equation						
Net Profit	7,314	7,120	7,618	8,755	9,074	9,578
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Net Profit Margin A	11%	10%	10%	10%	10%	10%
Revenue	67,161	70,372	79,474	86,392	91,471	91,854
Average Total Assets	78547	92918	92377	92187	100495	99467
Assets Turn Over Ratio B	0.86	0.76	0.86	0.94	0.91	0.92
Return On Assets A*B	9%	8%	8%	9%	9%	10%

Dupont Summary

- ROE of Pepsico has been decreased to 8% during the COVID period and remained constant the following year which now has rose and currently at 9% as of 31st dec, 2023.
- ROE has not made much of a significant difference in last four years from 8% to 9%.
- The company was unable to increase margins and have been at a constant of 10% for the last four years as per 31st Dec, 2023.
- Asset efficiency of the company is maintained throughout the period while leading towards a better result than before.
- The reason for the fall in ROE is due to the significant fall in financial leverage in the company from 6.6x in FY2020 to 5.6x in FY2023.
- ROA of Pepsico has increased from 8% to 9% from FY2020 to FY2023. While the Net Profit Margin has remained constant throughout the last four financial years, the reason for a little increase in the ROA is a bit increment in Asset efficiency of the company.

Discounted Cash Flow (DCF)

Free cash flow to firm	2025	2026	2027	2028	2029
EBIT	1	2	3	4	5
Tax rate	20%	20%	20%	20%	20%
NOPAT	10135.90	10426.77	10751.27	11096.84	11465.03
(+)Depreciation	3,132	3,227	3,327	3,434	3,548
(+)Net changes in working capital	388.59	277.23	295.06	314.21	334.79
(-)Capex	-2742.00	-4058.65	-4212.60	-4377.00	-4552.70
FCFF(Explicit cash flow)	10914.89	9872.10	10160.92	10468.17	10795.20
WACC	6.37%				
Growth rate	2.50% TBH				
PV of explicit cash flow	₹ 10,261.61	₹ 8,725.73	₹ 8,443.48	₹ 8,178.16	₹ 7,928.87
Discount factor	0.94	0.88	0.83	0.78	0.73
	10261.61	8725.73	8443.48	8178.16	7928.87
Sum of PV of explicit cash flow	43537.86				
Terminal growth				11.5 from 2027 (market screener)	
PV of TV				Exit multiple EV/EBITDA or EBIT	
operating EV				Exit multiple	
				164809.8349	
Non operating assets				121049.7527	
Current assets held for sale	0				0
Noncurrent assets held for sale	0				0
Current liabilities held for sale	0 SUM				0
Total EV	197930.38				164587.61
Actual years					
Debt and debt equivalent	37,224.00			37,224.00	
NCI cash	8505			0.00	
Market value	1,69,211.38			8,505.00	
O/s shares assuming dilution	1378			1,35,868.61	
Value per share	₹ 122.79				₹ 98.60
CMP=	143.39	o/s shares=			
MV = Equity = CMP*O/S Shares	196874.47				
Debt = BookValue	37,224.00				
Wd	0.16				
We	0.84				
				1373 From 10 K	

RECOMMENDATION

BUY

BUY

Synopsis of DCF Model

The provided Discounted Cash Flow (DCF) model evaluates the intrinsic value of a company using projected Free Cash Flows to the Firm (FCFF) and terminal value methods. Over the forecast period (2025 E-2029E), FCFF grows steadily from \$10,914 million to \$10795 million. The Weighted Average Cost of Capital (WACC) is assumed to be 5.34%, and discount factors are applied to calculate the Present Value (PV) of explicit cash flows, amounting to \$40574 million.

The terminal value, accounting for the firm's value beyond 2029, is calculated using two approaches:

- **Gordon Growth Model** assumes a 2.5% long-term growth rate, resulting in a PV of \$169211 million.
- **Exit Multiple Method** applies an EV/EBITDA multiple of 18.07, yielding a PV of \$135868 million.

The total Enterprise Value (EV) is derived by adding the PV of explicit cash flows and the PV of the terminal value:

- Gordon Growth Model: \$169211 million.
- Exit Multiple Method: \$135868 million.

Adjusting for net debt (-\$37224 million) and cash (\$8505 million), the equity value per share is \$122.79 (Gordon Growth) and \$98.60 (Exit Multiple). Given the CMP of \$143.39, the DCF model recommends a **BUY**, especially under the Gordon Growth scenario, suggesting strong upside potential.

Explicit Cash Flow Forecast

Projected Free Cash Flows to the Firm (FCFF) for the forecasted years (2025 E to 2029E), as shown in the provided DCF model :

- **2025** : \$10914.89 Million
- **2026 E:** \$9872.10
 - **2027E:** \$10160 million
 - **2028E:** \$10468.17 million
- **2029E:** \$10795.20

Key Components of FCFF Forecast:

1. **EBIT:** Expected to grow from \$12652 million in 2025E to \$14331 million in 2029E.
2. **Tax Rate:** Fixed at 20.0% across all forecasted years.
3. **Non-Cash Adjustments (D&A):** Increases from \$10,135 million in 2025E to \$3,548 million in 2029E.
4. **Net Change in Working Capital (NWC):** Minor adjustments, ranging from \$388.59 million in 2025E to \$334.79 million in 2029E.
5. **Capital Expenditures (Capex):** Gradually increases from \$2742 million in 2025E to \$4552.70 million in 2029E.

These FCFF ovalues are discounted to their present value using a WACC of 6.37%, contributing to the overall valuation of the company.

Free cash flow to firm	2025	2026	2027	2028	2029
	1	2	3	4	5
EBIT	12,652.35	13,033.46	13,439.09	13,871.04	14,331.29
Tax rate	20%	20%	20%	20%	20%
NOPAT	10135.90	10426.77	10751.27	11096.84	11465.03
(+)Depreciation	3,132	3,227	3,327	3,434	3,548
(+)Net changes in working capital	388.59	277.23	295.06	314.21	334.79
(-)Capex	-2742.00	-4058.65	-4212.60	-4377.00	-4552.70
FCFF(Explicit cash flow)	10914.89	9872.10	10160.92	10468.17	10795.20

Weighted Average Cost of Capital (WACC)

This section explains the **Weighted Average Cost of Capital (WACC)** calculation for PepsiCo, which represents the company's average cost of financing its operations through equity and debt. It provides insights into how the company balances its capital structure to minimize financing costs.

Key Components:

1. Capital Structure:

- PepsiCo's capital comprises **16% debt and 84% equity**.
- The weights reflect the proportion of debt and equity relative to the total capital.

2. Cost of Debt:

- The cost of debt is calculated at **5.99%**, incorporating the risk-free rate (4.49%), a credit spread based on PepsiCo's A+ rating (0.92%), and the corporate tax rate (21%).
- This highlights the company's low-risk profile, as the cost of debt is modest.

3. Cost of Equity:

- The cost of equity is **6%**, derived using the Capital Asset Pricing Model (CAPM).

Inputs include:

- Risk-free rate: 4.49%.
- Equity risk premium: 4.60% (Damodaran estimate).
- Beta: 0.44, indicating low volatility relative to the market.

4. WACC:

- The WACC is calculated at **6.37%**, representing the blended cost of capital for the company.
- It reflects the minimum return required to satisfy both equity and debt investors,

considering PepsiCo's risk and financing structure.

This low WACC demonstrates PepsiCo's efficient capital structure and strong financial health, enabling it to finance growth cost-effectively.

Date of Valuations	05-02-25
Risk Free Rate	4.49%
Credit Rate	A+
Credit Spread	1.50%
Cost Of Debt (Rd)	5.99%
(interest expense / O/S Debt)	
Cost Of Debt as per Book Value	2.07%
O/S Debt = Long Term + Short Term	
Interest	919
LTD	37,224.00
STD	7082

Cost of Equity (Rating Based Method)	Column1
Risk Free Rate	4.49%
Regression Beta	0.43
ERP (From Damodaran)	5.00%
Cost of Equity (Re)	6.66%
Calculation of WACC	
WACC	6.37%
Tax Rate	19.89%
Wd	15.90%
We	84.10%

WACC	6.37%
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- Unlevered Beta of **0.20** indicates low business risk, consistent with the stability of the consumer staples industry.
- **Peer Group Comparisons:** PepsiCo has lower debt levels (16% debt) than Kraft Heinz (31%) but higher than Monster Beverage (1%), indicating balanced financial leverage.
- **Industry Insights:** The range of betas across peers shows the variance in business risk and leverage strategies within the sector.
- **Implications for Valuation:** Beta values are used in the CAPM model to estimate PepsiCo's **Cost of Equity** and Weighted Average Cost of Capital (WACC), key inputs in the Discounted Cash Flow (DCF) model.
- These calculations highlight PepsiCo's relatively stable risk profile and its balanced approach to leveraging debt while maintaining operational stability.

UNLEVERED BETA CALCULATION - COMPARABLES							
Name	Levered Beta	Debt	% Debt	% Equity	% Equity	Tax Rate	Unlevered Beta
The Hershey Company	0.30	5,205	19,796		25.60 %	0.25	
Campbell soup company	0.17	5,102	32,820		25.60 %	0.16	
Kraft Heinz	0.23	21,388	8,851		25.60 %	0.08	
General Mills	0.11	12,346	7,636		25.60 %	0.05	
Conagra brands	0.35	21,388	16,879		26.00 %	0.18	
Median		12,346	16,879			0.14	
Pepsico	0.23	9,309	16,879		26.00 %	0.20	

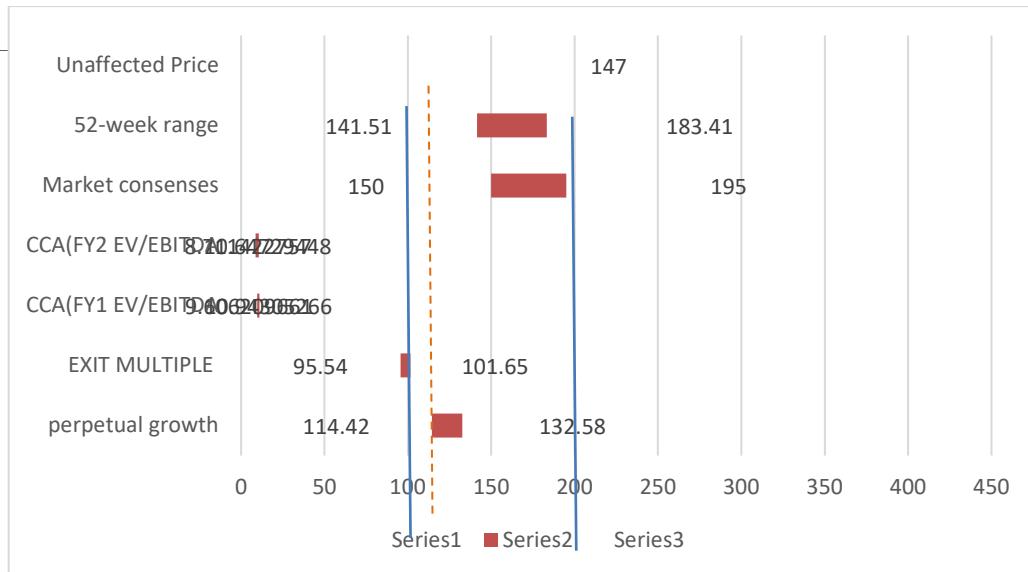
Calculation of Capital Structure of Peer Group Companies					
	Debt	Equity			
		Share Price	Shares O/S	M.Cap	Tax Rate
<u>The Hershey Company</u>					
May-23					26%
	5,127		19,661		
May-22		5,113		17,352	26%
May-21		5,375		22,376	26%
<u>Campbell soup company</u>					
May-23		4,964		31,327	26%
May-22		5,053		31,453	26%
May-21		5,290		35,681	26%
<u>Kraft Heinz</u>					
May-23	20653		11,164		26%
May-22	20867		7,651		26%
May-21	22644		7,738		26%
<u>General Mills</u>					
May-23	12062.7		9,377		26%
May-22	11968		7,180		26%
May-21	13007		6,350		26%
<u>Conagra brands</u>					
May-23	9472.7		16,615		26%
May-22	9223.2		15,826		26%
May-21	9230.7		18,195		26%

Enterprise value & Equity value

Terminal Value	Gordan growth	Exit multiple
Terminal growth	210206.18	164809.8349
PV of TV	154392.52	121049.7527
operating EV	197930.38	164587.61
Non operating assets		
Current assets held for sale	0	0
Noncurrent assets held for sale	0	0
Current liabilities held for sale	0 SUM	0
Total EV	197930.38	164587.61
Actual years		
Debt and debt equivalent	37,224.00	37,224.00
NCI		0.00
cash	8505	8,505.00
Market value	1,69,211.38	1,35,868.61

Name of Target Company	pepsico			Median	1	Equity value = EV - Debt & debt eq. + MI + cash + jpx									
Metrics	Industry Multiple Range		Implied EV-pepsico	Minority Interest	Total Debt	Debt Equivalent	Cash & Cash Eq.	Investments	Implied Equity-pepsico		Diluted Shares O/S	Implied Per Share Value-pepsico	Lower	Higher	
	Lower	Higher	Lower	Higher					Lower	Higher		Lower	Higher		
LTM EV/EBITDA	14,464	9.6x	11.7x	1,38,944	1,69,821	0	7268.9	91.8	37.4	0	1,31,621	1,62,497	1384.9	95.0	117.3
FY1 EV/EBITDA	15,160	9.0x	10.9x	1,35,734	1,65,897	0	7268.9	91.8	37.4	0	1,28,410	1,58,573	1384.9	92.7	114.5
FY2 EV/EBITDA	16,145	8.7x	10.6x	1,40,646	1,71,901	0	7268.9	91.8	37.4	0	1,33,323	1,64,577	1384.9	96.3	118.8
pepsico Valuation Range as per Trading Comps												95.0	117.3		
Metrics	Industry Multiple Range		Implied EV-pepsico	Minority Interest	Total Debt	Debt Equivalent	Cash & Cash Eq.	Investments	Implied Equity-pepsico		Diluted Shares O/S	Implied Per Share Value-pepsico	Lower	Higher	
	Lower	Higher	Lower	Higher					Lower	Higher		Lower	Higher		
LTM EV/EBIT	13,336	11.4x	14.0x	1,52,546	1,86,445	0	7268.9	91.8	37.4	0	1,45,223	1,79,122	1384.9	104.9	129.3
FY1 EV/EBIT	14,085	11.4x	14.0x	1,60,807	1,96,541	0	7268.9	91.8	37.4	0	1,53,483	1,89,218	1384.9	110.8	136.6
FY2 EV/EBIT	14,796	11.0x	13.5x	1,62,847	1,99,035	0	7268.9	91.8	37.4	0	1,55,524	1,91,712	1384.9	112.3	138.4
pepsico Valuation Range as per Trading Comps												110.8	136.6		
Metrics	Industry Multiple Range		Implied EV-pepsico	Minority Interest	Total Debt	Debt Equivalent	Cash & Cash Eq.	Investments	Implied Equity-pepsico		Diluted Shares O/S	Implied Per Share Value-pepsico	Lower	Higher	
	Lower	Higher	Lower	Higher					Lower	Higher		Lower	Higher		
LTM EV/Sales	45,784	2.0x	2.5x	91,887.52	1,12,306.97	0	7268.9	91.8	37.4	0	84,564	1,04,984	1384.9	61.1	75.8
FY1 EV/Sales	46,897	2.0x	2.5x	94,299.95	1,15,255.49	0	7268.9	91.8	37.4	0	86,977	1,07,932	1384.9	62.8	77.9
FY2 EV/Sales	47,927	2.0x	2.4x	95,192.82	1,16,346.78	0	7268.9	91.8	37.4	0	87,870	1,09,023	1384.9	63.4	78.7
pepsico Valuation Range as per Trading Comps												62.8	77.9		
Metrics	Industry Multiple Range		Implied EV-pepsico	Minority Interest	Total Debt	Debt Equivalent	Cash & Cash Eq.	Investments	Implied Equity-pepsico		Diluted Shares O/S	Implied Per Share Value-pepsico	Lower	Higher	
	Lower	Higher	Lower	Higher					Lower	Higher		Lower	Higher		
FY1 P/E	2.88	12.9x	15.8x									37.3	45.6		
FY2 P/E	3.10	11.9x	14.5x									36.8	45.0		
pepsico Valuation Range as per Trading Comps												37.1	45.3		

Football Field Analysis



Football field analysis comparing valuation ranges from various financial metrics. Key observations:

Unaffected Price: Set at a single value of 147, indicating a baseline or pre-event valuation.

52-week Range: Falls between 141 and 183, highlighting the stock's historical price fluctuation over the last year.

Market Consensus: Spans 150 to 195, reflecting analysts' opinions on the fair market value.

DCF Exit Multiple: Ranges from 95 to 101, suggesting the valuation based on the discounted cash flow (DCF) method with an exit multiple assumption.

DCF Perpetual Growth: Shows a higher range from 114 to 132, indicating DCF-based valuation assuming perpetual growth.

The analysis suggests a wide spectrum of valuations, with the DCF methods implying higher potential values compared to market consensus and historical data. This highlights varying perspectives on future performance and growth assumptions.

Three Financial Statements

Pepsico

Figure USD Million

	31-12-2019	31-12-2020	31-12-2021	31-12-2022	31-12-2023	31-12-2024	31-12-2025	31-12-2026	31-12-2027	31-12-2028	31-12-2029
	Actual	Actual	Actual	Actual	Actual	Actual	Estimation	Estimation	Estimation	Estimation	Estimation
Net Revenue	67,161	70,372	79,474	86,392	91,471	91,854	94,531	97,378	1,00,409	1,03,636	1,07,075
Cost of sales	30,132	31,797	37,075	40,576	41,881	41,744	43,311	44,615	46,004	47,482	49,058
Gross profit	37,029	38,575	42,399	45,816	49,590	50,110	51,220	52,763	54,405	56,154	58,017
Selling, general and administrative expenses	26,738	28,495	31,237	34,459	36,677	37,190	37,825	38,964	40,177	41,468	42,844
Gain associated with the Juice Transaction				3,321			0	0	0	0	0
Impairment of intangible assets	0	0	0	3,166	927	33	743	765	789	814	841
Operating Profit	10,291	10,080	11,162	11,357	11,986	12,887	12,652	13,033	13,439	13,871	14,331
Other pension and retiree medical benefits income/(expense)	-44	117	522	132	250	22	0	0	0	0	0
Net interest expense and other	935	1,128	1,863	939	819	919					
Income before income taxes	9,312	9,069	9,821	10,550	11,417	11,946	12,652	13,033	13,439	13,871	14,331
tax Percentage	21%	21%	22%	16%	20%	19%	20%	20%	20%	20%	20%
Provision for income taxes	1,959	1,894	2,142	1,727	2,262	2,320	2516.45	2592.25	2672.92	2758.84	2850.38
Net income	7,353	7,175	7,679	8,823	9,155	9,626	10,136	10,441	10,766	11,112	11,481
Less: Net income attributable to noncontrolling interests	39	55	61	68	81	48	0	0	0	0	0
Net Income Attributable to PepsiCo	7,314	7,120	7,618	8,755	9,074	9,578	10,136	10,441	10,766	11,112	11,481
Cost of Sale as %	45%	45%	47%	47%	46%	45%	46%	46%	46%	46%	46%
Selling, general and administrative expenses	40%	40%	39%	40%	40%	40%	40%	40%	40%	40%	40%
Impairment of intangible assets	0%	0%	0%	4%	1%	0%	1%	1%	1%	1%	1%
Provision for income taxes	21%	21%	22%	16%	20%	19%	20%	20%	20%	20%	20%
Dividend paid	5304	5509	5815	6172	6682	7229	658.83	678.68	699.80	722.29	746.26
	72.52%	77.37%	76.33%	70.50%	73.64%	75.48%	6.50%	6.50%	6.50%	6.50%	6.50%
Depreciation & Amortization	2432	2548	2710	2763	2948	3,160					
Depreciation	2351	2458	2619	2685	2873	3,086					
Amortization	81	90	91	78	75	74					
O/s shares											
Basic	1399	1385	1382	1380	1376	1373					
Diluted	1407	1392	1389	1387	1383	1378					



PEPSICO

PEPSICO (IN USD Million)												
Balance Sheet	31-12-2019	31-12-2020	31-12-2021	31-12-2022	31-12-2023	31-12-2024	31-12-2025	31-12-2026	31-12-2027	31-12-2028	31-12-2029	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimation	Estimation	Estimation	Estimation	Estimation
Current assets:												
Cash and cash equivalents	5509	8185	5596	4954	9711	8505	18,022	25,737	35,268	44,430	54,543	
Short-term investments	229	1366	392	394	292	761	761	761	761	761	761	
Restricted Cash	0				0							
Accounts and notes receivable, net	7822	8404	8680	10163	10815	10925.7471	11254.85105	11605.128	11978.137	12375.575		
Inventories	3338	4172	4347	5222	5334	5306	5358.986462	5520.409162	5692.2169	5875.1747	6070.1148	
Raw Material and packaging				2366	2388	2440	0	0	0	0	0	
Work in progress				114	104	104	0	0	0	0	0	
Finished Good				2742	2842	2762	0	0	0	0	0	
Prepaid expenses and other current assets	747	874	980	806	798	921	921	921	921	921	921	
Assets held for sale	—		1788	0	0	0	0	0	0	0	0	
Total Current Assets	17645	23001	21783	21539	26950	25826	35,989	44,195	54,247	63,965	74,671	
Property, Plant and Equipment, net	19305	21369	22407	24291	27039	28008	27617.59568	28449.48934	29334.902	30277.777	31282.404	
Amortizable Intangible Assets, net	1433	1703	1538	1277	1199	1102	1041.15903	983.6770648	929.36866	878.05859	829.58134	
Goodwill	15501	18757	18381	18202	17728	17534	17534	17534	17534	17534	17534	
Other Indefinite-Lived Intangible Assets	14610	17612	17127	14309	13730	13699	13699	13699	13699	13699	13699	
Indefinite Lived Intangible Assets	30111											
Investments in Noncontrolled Affiliates	2683	2792	2627	3073	2714	1985	1985	1985	1985	1985	1985	
Deferred Income Taxes	4359	4372	4310	4204	4474	4362	4362	4362	4362	4362	4362	
Other Assets	3011	3312	4204	5292	6661	6951	6951	6951	6951	6951	6951	
Total Assets	78547	92918	92377	92187	100495	99467	1,09,178	1,18,159	1,29,042	1,39,652	1,51,314	
LIABILITIES AND EQUITY												
Current Liabilities												
Short term debt obligations	2920	3780	4308	3414	6510	7082	1550	0	650	0	0	
Liabilities held for sale				753								
Account Payable and other current liability	17541	19592	21159	23371	25137	24454	25488.32027	26256.07617	27073.225	27943.406	28870.577	
TOTAL Liability	20461	23372	26220	26785	31647	31536	27038.32027	26256.07617	27723.225	27943.406	28870.577	
long term Debt Obligations	29148	40370	36026	35657	37595	37224	41956	41956	41306	41306	41306	
Deferred Income Taxes	4091	4284	4826	4133	3895	3484	3484	3484	3484	3484	3484	
Other Liabilities	9979	11340	9154	8339	8721	9052	9052	9052	9052	9052	9052	
Total Liabilities	63679	79366	76226	74914	81858	81296	81530.32027	80748.07617	81565.225	81785.406	82712.577	
Pepsico Share Holder Equity												
Common stock, par value 12/3¢ per share	23	23	23	23	23	23	23	23	23	23	23	
Capital in excess of par value	3886	3910	4001	4134	4261	4385	4385	4385	4385	4385	4385	
Retained earnings	61946	63443	65165	67800	70035	72266	81,743.06	91,505.60	1,01,571.96	1,11,961.87	1,22,696.53	
Accumulated other comprehensive loss	14300	15476	14898	15302	15534	17612	17612	17612	17612	17612	17612	
excess of par value (493 and 490)	36769	38446	38248	39506	40282	41021	41021	41021	41021	41021	41021	
Total PepsiCo Common Shareholders' Equity	14786	13454	16043	17149	18503	18041	27,518.06	37280.59607	47346.96	57736.874	68471.529	
Noncontrolling interests	82	98	108	124	134	130	130	130	130	130	130	
Total Equity	14868	13552	16151	17273	18637	18171	27,648.06	37410.59607	47476.96	57866.874	68601.529	
Total Liabilities and Equity	78547	92918	92377	92187	100495	99467	1,09,178.38	118158.6722	129042.18	139652.28	151314.11	
Check Sum	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	
Working capital												
Trade account receivable	7822	8404	8680	10163	10815	10333	10925.7471	11254.85105	11605.128	11978.137	12375.575	
receivable days	42.51	43.59	39.86	42.94	43.16	41.06	42.19					
inventories	3338	4172	4347	5222	5334	5306	5358.986462	5520.409162	5692.2169	5875.1747	6070.1148	
inventories days	40.434422	47.890682	42.795819	46.97432	46.486712	46.394452	45.16273445					
Other Assets	747	874	980	806	798	921	1007.598353	1037.949101	1070.2524	1104.6522	1141.3049	
Percentage of Sale	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
AP	17541	19592	21159	23371	25137	24454	25488.32027	26256.07617	27073.225	27943.406	28870.577	
DAYs	212.48059	224.89795	208.30843	210.23302	219.07321	213.82019	214.8022295					

Pepsico COMPANY
(in USD million except per Share Data)
Cash Flow Statement

	12 Months				
	2025	2026	2027	2028	2029
Cash From Operating Activities					
Net Income	10,136	10,441	10,766	11,112	11,481
Depreciation and amortization	3193.24819	3284.243152	3381.493758	3485.436983	3596.549573
interest expense	117.823	134.674	62.328	59.814	139.277
Share-based compensation expense					
Change in assets and liabilities:					
Trade accounts receivable	-592.75	-329.10	-350.28	-373.01	-397.44
Inventories	-52,986,461.65	-161,422,700.4	-171,807,714	-182,957,831.3	-194,940,120.9
Prepaid expenses and other current assets	0	0	0	0	0
Accounts payable and accrued expenses	1034.320272	767.7559024	817.1489274	870.1809258	927.1708879
Net Cash Provided by Operating Activities	13,836	14,137	14,505	14,972	15,552
Cash From Investing Activities					
Capital Expenditure	-2742.00	-4058.65	-4212.60	-4377.00	-4552.70
Net Cash Used for Investing Activities	-2742.00	-4058.65	-4212.60	-4377.00	-4552.70
Cash From Financing Activities					
Cash dividends paid	-658.83	-678.68	-699.80	-722.29	-746.26
interest expense	-117.823	-134.674	-62.328	-59.814	-139.277
Debt Raised	0	0	0	0	0
Debt Repaid	-800	-1550	0	-650	0
Net Cash Provided by/(Used for) Financing Activities	-1576.66	-2363.35	-762.13	-1432.11	-885.54
Net Increase/(Decrease) in Cash and Cash Equivalents	9,517	7,715	9,530	9,163	10,113
Cash and Cash Equivalents, Beginning of Year	8505	18,022	25,737	35,268	44,430
Cash and Cash Equivalents, End of Period	18,022	25,737	35,268	44,430	54,543



PEPSICO

