

PEPSICO

INVESTMENT ANALYSIS

Made by
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ABOUT PEPSICO

PepsiCo products are enjoyed by consumers more than one billion times a day in more than 200 countries and territories around the world. PepsiCo generated more than **\$70 billion** in net revenue in 2020, driven by a complementary food and beverage portfolio that includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker Tropicana, and SodaStream. PepsiCo's product portfolio includes a wide range of enjoyable foods and beverages, including 23 brands that generate more than \$1 billion each in estimated annual retail sales.

200 countries

23 brands

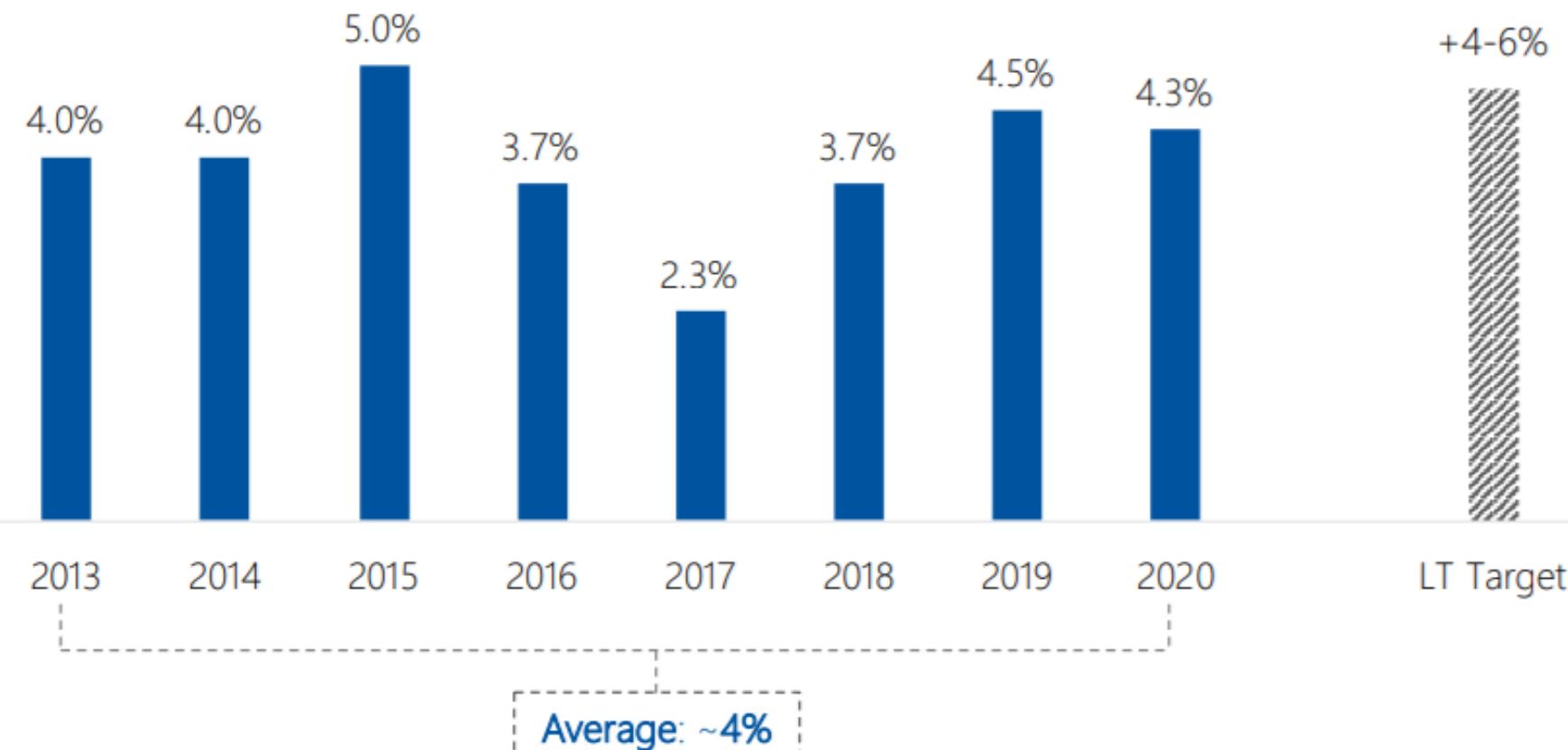
>\$70 billion in
net revenue



ABOUT PEPSICO



Our Long Term Organic Revenue Growth Target Remains Intact



Summary of Operations

	2020	2019	% Chg ^(a)
Net revenue	\$70,372	\$67,161	5%
Core operating profit ^(b)	\$10,531	\$10,602	(1)%
Reported earnings per share	\$5.12	\$5.20	(2)%
Core earnings per share ^(c)	\$5.52	\$5.53	-
Free cash flow ^(d)	\$6,428	\$5,587	15%
Capital spending	\$4,240	\$4,232	-
Common share repurchases	\$2,000	\$3,000	(33)%
Dividends paid	\$5,509	\$5,304	4%



ABOUT PEPSICO

PepsiCo operates seven different business segments that encompass a wide range of beverages, food, and snack offerings, diversifying its revenue stream.

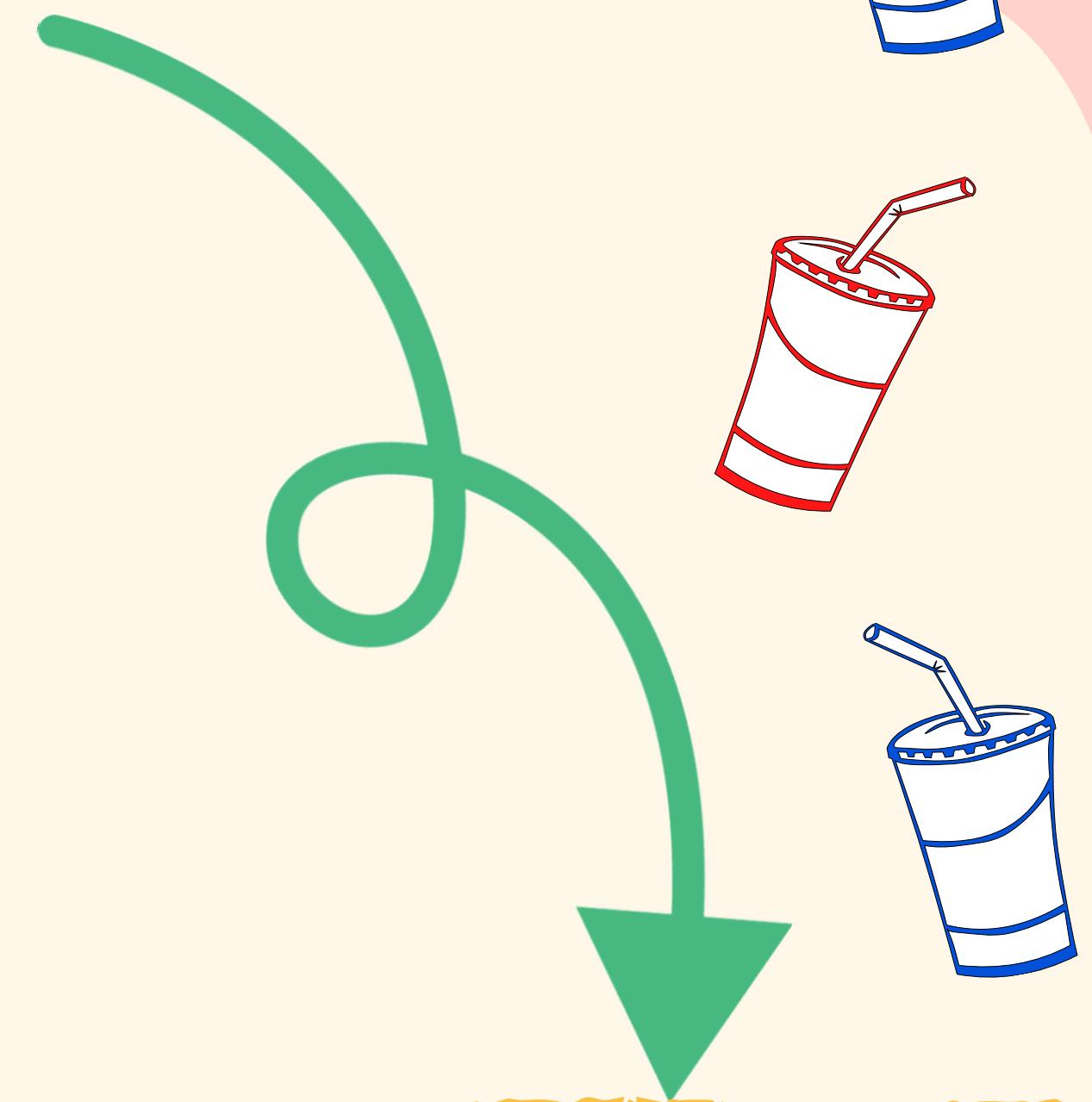
The seven business segments of PepsiCo are

- (1) PepsiCo Beverages North America,
- (2) Frito-Lay North America,
- (3) Quaker Foods North America,
- (4) Europe,
- (5) Africa, Middle East, and South Asia,
- (6) Latin America,
- (7) Asia Pacific, Australia, New Zealand, and China.



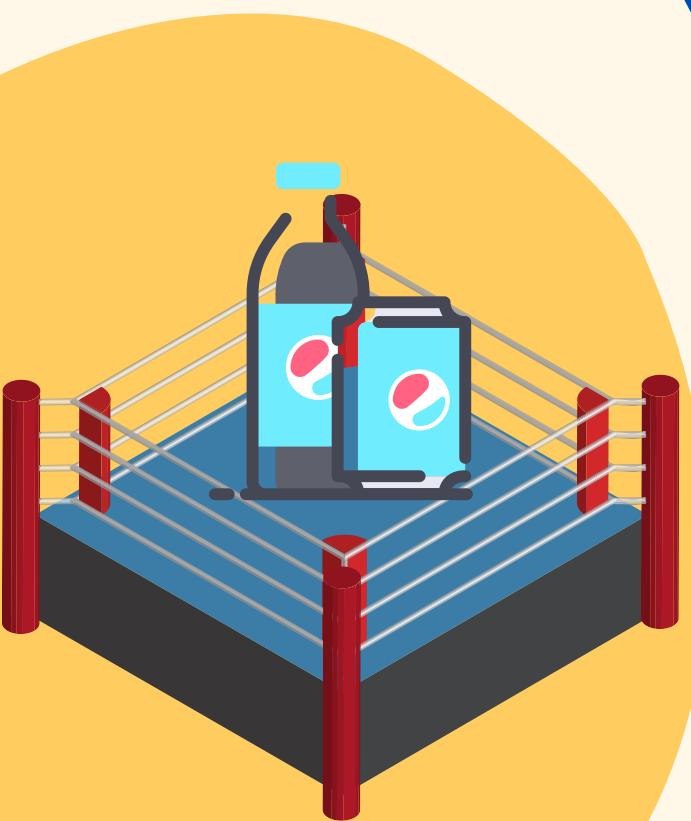
PepsiCo, Inc. and Subsidiaries
Supplemental Financial Information
(in millions)

	(Unaudited)		Year Ended	
	Quarter Ended		Year Ended	
	12/26/2020	12/28/2019	12/26/2020	12/28/2019
Net Revenue				
Frito-Lay North America	\$ 5,443	\$ 5,148	\$ 18,189	\$ 17,078
Quaker Foods North America	836	772	2,742	2,482
PepsiCo Beverages North America	6,793	6,255	22,559	21,730
Latin America	2,411	2,542	6,942	7,573
Europe	4,035	3,886	11,922	11,728
Africa, Middle East and South Asia	1,707	1,118	4,573	3,651
Asia Pacific, Australia and New Zealand and China Region	1,230	919	3,445	2,919
Total	\$ 22,455	\$ 20,640	\$ 70,372	\$ 67,161
Operating Profit				
Frito-Lay North America	\$ 1,507	\$ 1,564	\$ 5,340	\$ 5,258
Quaker Foods North America	178	153	669	544
PepsiCo Beverages North America	546	460	1,937	2,179
Latin America	333	356	1,033	1,141
Europe	376	418	1,353	1,327
Africa, Middle East and South Asia	214	120	600	671
Asia Pacific, Australia and New Zealand and China Region	96	89	590	477
Corporate unallocated expenses	(424)	(461)	(1,442)	(1,306)
Total	\$ 2,826	\$ 2,699	\$ 10,080	\$ 10,291



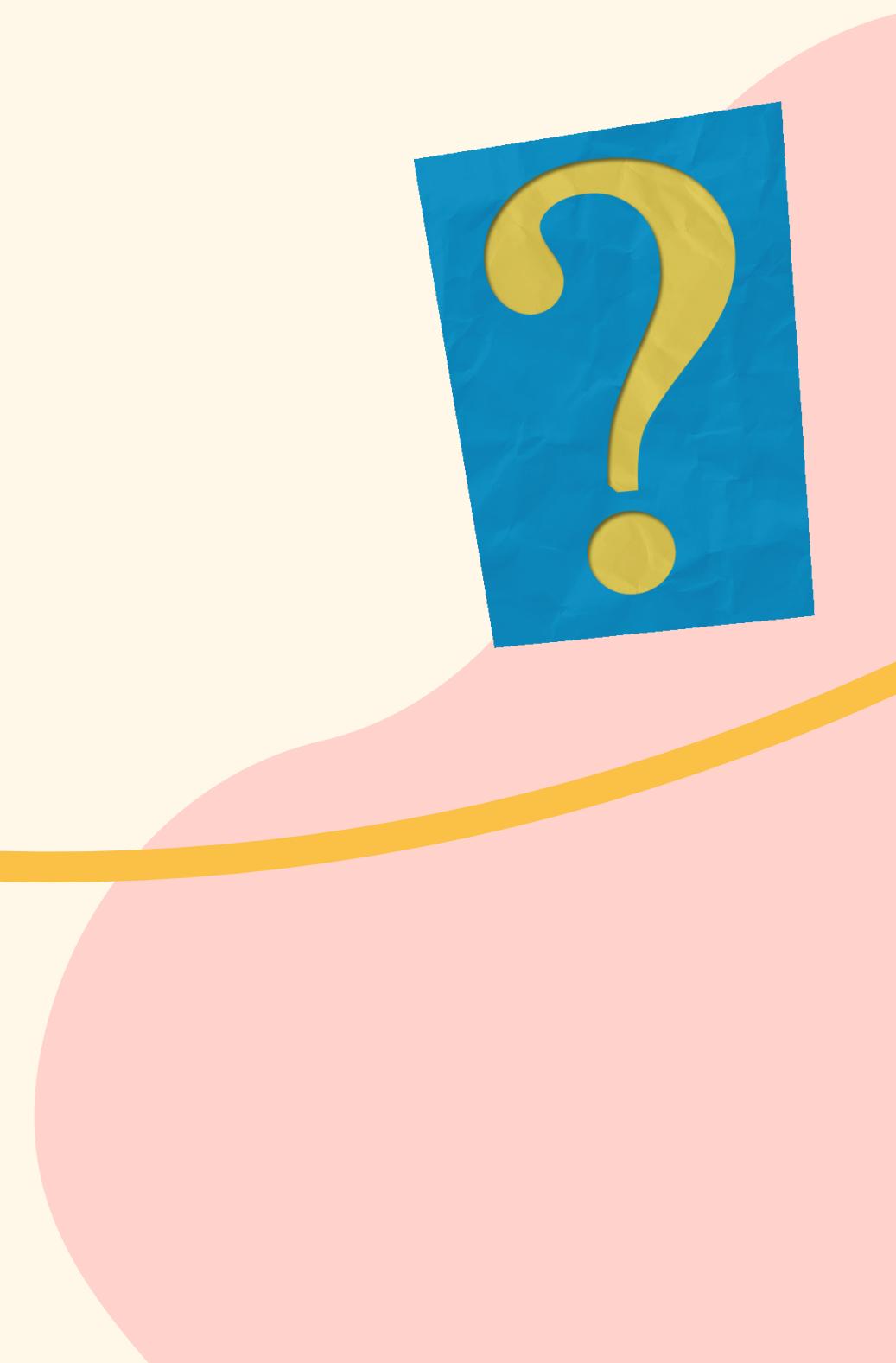
Pepsi primarily makes money in North America

PEPSI INVESTMENT POTENTIAL



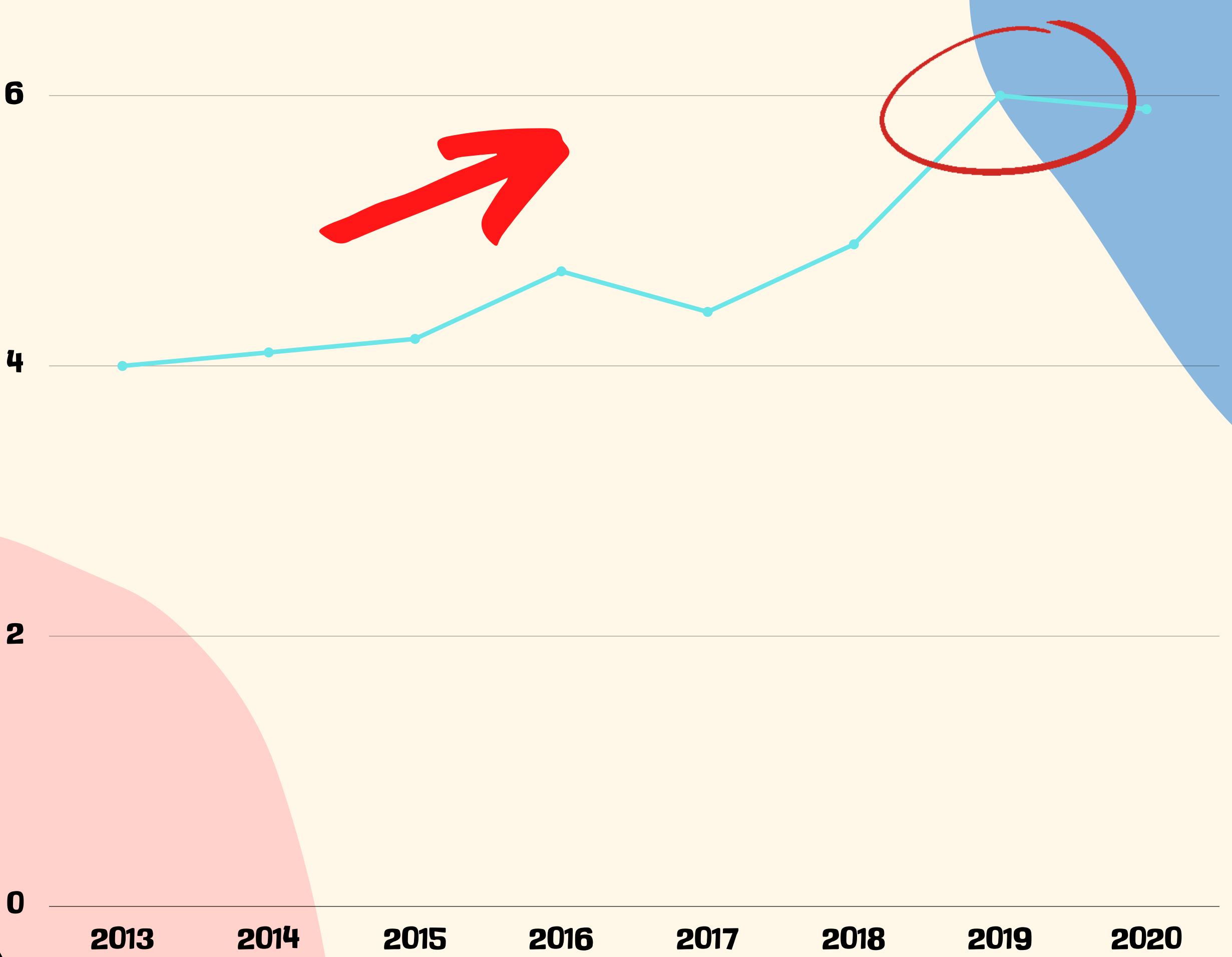
HEALTHY PRODUCTS WITH LESS SALT, SUGAR AND FAT AND WITH FEWER CALORIES.

THE DEMAND OF A YOUNGER AUDIENCE AND THE PREFERABLE WAY - THE INTERNET.



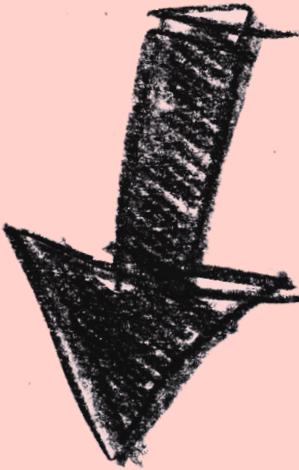
GROWTH IN PRIVATE-LABEL PRODUCTS SECTOR THAT ARE NOW OFFERING INCREASINGLY PREMIUM PRODUCTS AT MUCH CHEAPER PRICES THAN THE LEADING BRANDS.

NET CAPITAL SPENDING (AS % OF NET REVENUE)



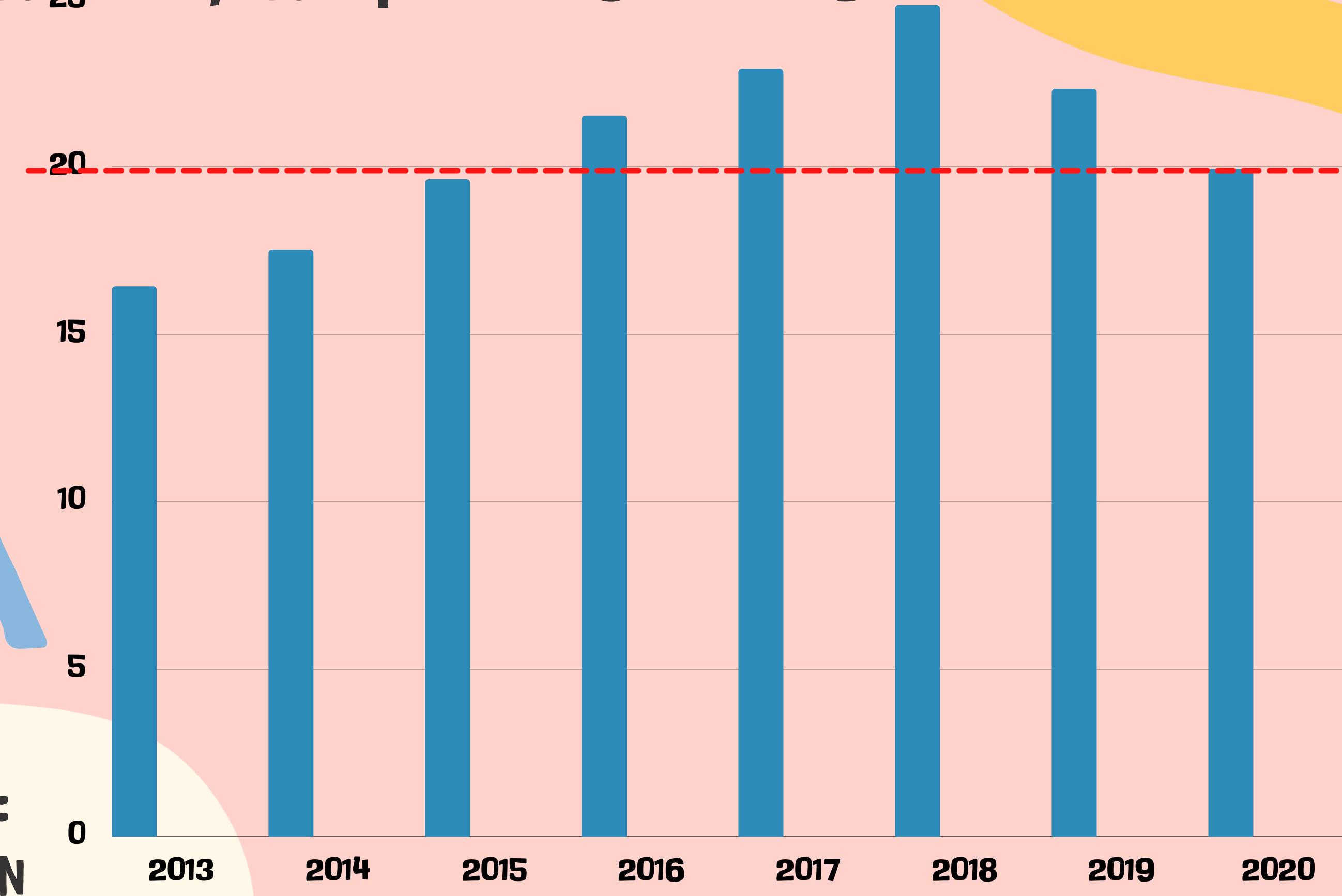
NET ROLC:

A FALL FROM 24,8%²⁵ TO 22,3% FROM 2018 TO 2019



NET ROLC NOW:

A STADY OF REMISSION



SOURCES OF INVESTMENT AND OWN FINANCING

AND OWN FUNDS



ALSO ATTRACTED FUNDS

THE INTER-AMERICAN DEVELOPMENT BANK (IDB) AND ITS INNOVATION-FOCUSED IDB LAB:

the public-private partnership until 2026 to carry out programs that will drive CSR investment projects of Pepsi in Latin America and the Caribbean.

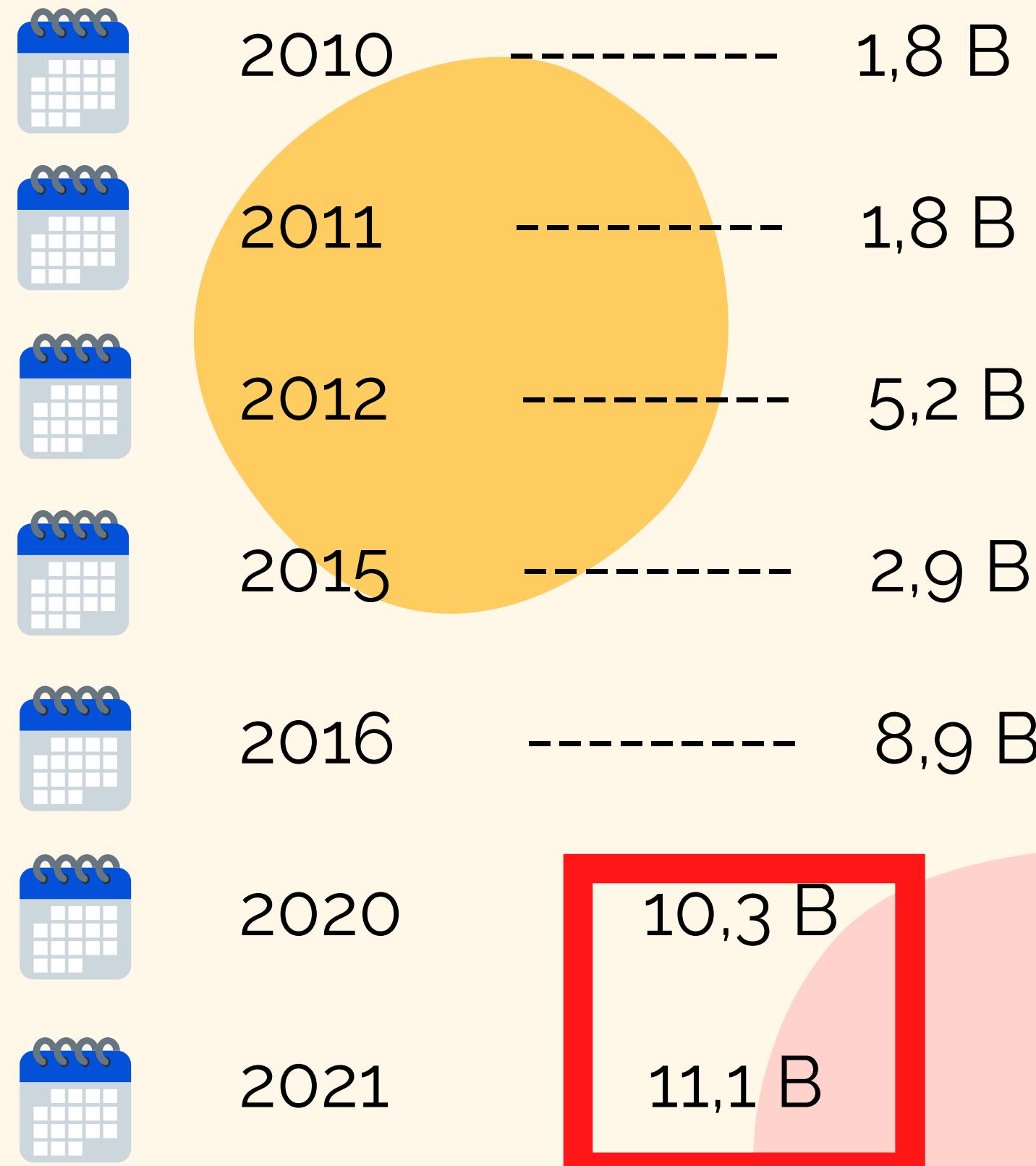
The signing of this agreement will complete 19 years of joint efforts in the region.

AND OTHER BANKS

A PRE-EMINENT PRIVATE EQUITY FIRM PAI PARTNERS AND OTHER VENTURE FUNDS

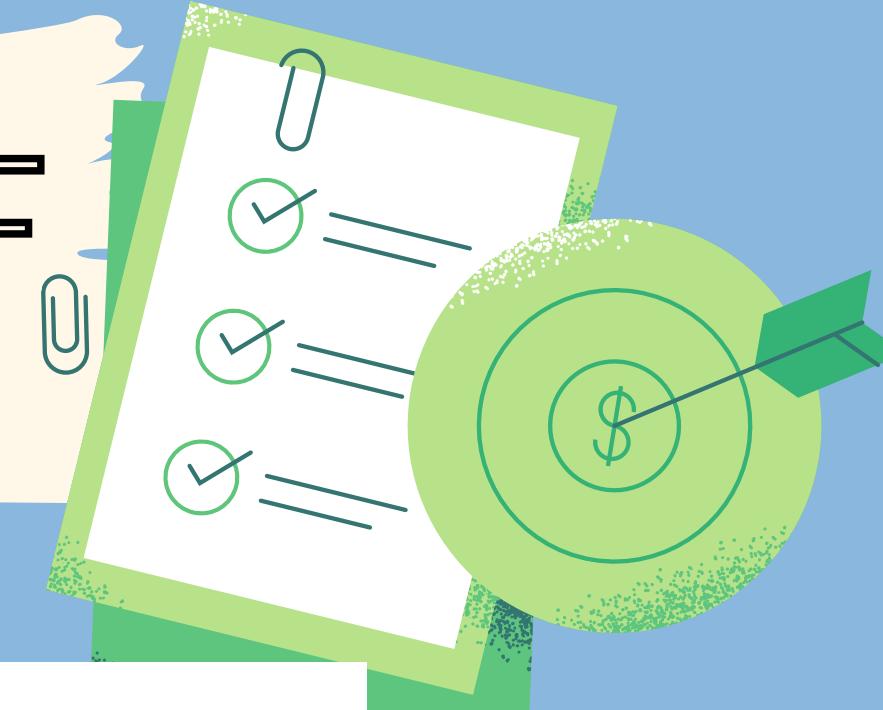
THE NET PROCEEDS FROM THIS GREEN BONDS WILL CONTINUE TO BE ALLOCATED
TO INVESTMENTS IN ELIGIBLE GREEN PROJECTS
AND OTHER EXTERNAL FUNDS

PEPSICO INVESTMENTS HISTORY





MAIN AREAS OF INVESTMENT



Increase
Manufacturing
Capacity

Digitizing
end-to-end
supply chain

ONGOING PROJECTS



Strategic end-to-end transformation to drive sustainable long-term value and competitive advantage. Three pillars of pep+ drive action and industry-leading 2030 goals, including:

Positive Agriculture:

- spreading regenerative practices to restore the Earth across the company's entire agricultural footprint, approximately 7 million acres

Positive Value Chain:

- Achieving Net-Zero emissions by 2040;
- Becoming Net Water Positive; and
- New goals to improve packaging sustainability, including reducing virgin plastic per serving by 50% and bold new goals from Pepsi and Frito-Lay brands

Positive Choices:

- Leveraging the scale and reach of its global brands to drive positive impact at scale;
- Evolving its portfolio into spaces that are better for the planet and people, including plant-based proteins, nuts & seeds and whole grains; and
- Expanding its SodaStream business, now expected to avoid more than 200 billion plastic bottles by 2030

INVESTMENT PROJECT - NEW FOOD MANUFACTURING PLANT IN POLAND



DESCRIPTION

- The facility will become its largest and most sustainable factory in Europe
- 450 new jobs will be created in the region and the plant will export to over 20 Europe countries
- The plant will be carbon neutral by 2035 and will use the latest sustainability technology



- In 2021 PepsiCo has announced it is investing \$64 million to expand its beverage concentrates plant in Uruguay's Colonia Free Trade Zone.
- The beverage concentrates facility expansion will be the second investment that PepsiCo has made recently as it has also announced that it is investing more than PLN 1 billion (\$262.6 million approx.) to open a new plant in Poland.

PEPSI REFRESH PROJECT

2010

INITIAL
INVESTMENT
= \$20 MLN

Pepsi created a website refresheverything.com, in which anyone in the world could submit ideas in a contest where people can submit their ideas for the social project such as sending care packages to soldiers overseas or building a new playground for children.

Ideas can be submitted in **6** categories:

1. Health and fitness
2. Arts and culture
3. Neighborhoods
4. The Planet
5. Education
6. Food and Shelter



PURPOSES OF THE PROJECT



RAISE AWARENESS AND INTEREST IN THE PEPSI REFRESH PROJECT

POSITION PEPSI AS THE OPTIMISTIC CATALYST FOR IDEA CREATION WITH CONSISTENCY AND ALIGNMENT OF PROGRAM MESSAGES ACROSS ALL MEDIA CHANNELS

GENERATE A STEADY STREAM OF NATIONAL, LOCAL AND ONLINE MEDIA BUZZ TO SUPPORT BUSINESS AND BRAND GOALS.



BRAND
PROMOTION

A large pink circle containing the words "BRAND PROMOTION".

TIMING AND SOURCES OF FUNDING

\$20 MIN OF INITIAL INVESTMENT WERE

THE OWN FUNDS

CROWDSOURCING

(AT FACT, ALL PEOPLE PARTICIPATED IN REFRESH PROJECT
DID THE MARKETING CAMPAIGN FOR PEPSI)

KEY RESULTS

ALSO, IT WAS NO CONNECTION BETWEEN THE PRODUCT AND THE CAMPAIGN.

SO, THE LACK OF METRICS AND OF AUTHENTICITY OF THEIR CAMPAIGN.

BUT THE PROJECT WAS NOT SUCCESSFUL.

WHY?

THEY RECEIVED REDUCE IN SALES BY 6% DURING THE CAMPAIGN.

IT WAS NOT THE KEY PERFORMANCE INDICATOR. AND THAT IS WHY IT FAILED.

THE WEBSITE HAD OVER 18 MILLION UNIQUE VISITORS, 80 MILLION VOTES, AND GENERATED NEARLY 150,000 TWEETS.

INDIAN PROJECT



NOVEMBER 9, 1987 BY THE GOVERNMENT OF THE PROJECT APPROVAL BY THE BOARD OF DIRECTORS APPROVED A SECOND PROPOSAL INDIA PEPSICO TO ENTER THE COUNTRY.

AS THE MAJOR MARKET FOR PEPSICO, THE U.S., SEEMED TO BE REACHING LEVELS, OPTION EXPAND ON GLOBAL SCALE SEEMED BECOME INEVITABLE FOR THE COMPANY. INDIA LUCRATIVE DESTINATION SINCE ITS VAST LATIION HUGE, UNTAPPE CUSTOMER BASE. DURING LATE 1980S, THCONSUMPTION SOFT DRINKS IN INDIA WAS ONLY THREE BOTTLES PER ANNUM AGAINST 63 AND 8 FOR EGYPT AND THAILAND RESPECTIVELY.

CALCULATION MODEL

RISK-FREE RATE

Usually for this rate
UST 10Y % per annual
(US Treasury bonds for a 10-
years maturity)
is taken because the
government will always repay
bondholders at par when they
mature

BETA

We used excess log-returns
of PEP and S&P500 to
calculate this through the
regression (Data analysis in
Excel)

MARKET RISK PREMIUM

We used data from
damodaran.com

WACC

We used this as a discount
rate

1989-YEAR N°0, THAT IS WHY WE CALCULATED ALL INDICATORS
USING DATA FROM 31.12.1984 TO 31.12.1989
(BECAUSE THE INITIAL INVESTMENT WAS IN 1989, NOT IN 1987)

CALCULATION MODEL

THE FULL VERSION IS
AVAILABLE IN EXCEL 'PEPSI'

DISC rate	income tax rate	Payroll tax rate	Nº of employees during the design and construction pe	Average wages (in USD)	Nº of employees during the exploitation	of construction (no
	0,062217768	30%	10%	40	200	3700 3 years
All indicators are in millions \$						
Implementation period		1989	1990	1991	1992	1993
Discount coefficient	1	0,941426542		0,886283934	0,834371219	0,785499212
Expenses wages without taxes, million rubles / year	0	0,096		0,096	0,096	8,88
Payroll taxes	0	0,0096		0,0096	0,0096	0,888
Payroll expenses with taxes	0	0,1056		0,1056	0,1056	9,768
Production costs	0	0		0	0	200
Materials and energy resources in exploitation	0	0		0	0	78
Maintenance and repairs	0	0		0	0	19
Property taxes	0	66		66	66	120
Labor protection costs	0	0,661056		0,661056	0,661056	4,26768
Total operating costs	0	66,766656		66,766656	66,766656	431,03568
CAPEX	600	200		200	200	0
Depreciation	0	10		10	10	18,18181818
Total costs	600	266,766656		266,766656	266,766656	431,03568
Revenue from the sale of products	0	0		0	0	800
Gross profit	0	-66,766656		-66,766656	-66,766656	368,96432
Income tax	0	0		0	0	50,5993056
Net profit	0	-66,766656		-66,766656	-66,766656	318,3650144
Cash flow	-600	-256,766656		-256,766656	-256,766656	336,5468326
Discounted cash flow	-600	-241,7269451		-227,568162	-214,2387078	264,3572717
Accumulated cash flow	-600	-856,766656		-1113,533312	-1370,299968	-1033,753135
Discounted accumulated cash flow	-600	-841,7269451		-1069,295107	-1283,533815	-1019,176543
IRR		23%				
DPI		4,971501305				
NPV		4 497,39				
DPP		7,131599812				
DCAPEX	600	188,2853084		177,2567868	166,8742439	1132,416339

CALCULATION MODEL (IN RS.)

US/RS. EXCHANGE RATE WAS
~60 THESE TIMES
WE ACCEPTED THE ASSUMPTION
OF STRONG RUPEE

DISC rate	income tax rate	Payroll tax rate	No of employees during the design and construction period	Average wages (in Rs.)	No of employees during the exploitation	
	0,062217768	30%	10%	40	15000	3700
All indicators are in millions Rs.						
Implementation period		1989	1990	1991	1992	1993
Discount coefficient	1	0,941426542		0,886283934	0,834371219	0,785499212
Expenses wages without taxes, million rubles / year	0	432		432	432	432
Payroll taxes	0	43,2		43,2	43,2	43,2
Payroll expenses with taxes	0	475,2		475,2	475,2	475,2
Production costs	0	0		0	0	12000
Materials and energy resources in exploitation	0	0		0	0	4680
Maintenance and repairs	0	0		0	0	1140
Property taxes	0	3960		3960	3960	7200
Labor protection costs	0	44,352		44,352	44,352	254,952
Total operating costs	0	4479,552		4479,552	4479,552	25750,152
CAPEX	36000	12000		12000	12000	0
Depreciation	0	600		600	600	1090,909091
Total costs	36000	16479,552		16479,552	16479,552	25750,152
Revenue from the sale of products	0	0		0	0	48000
Gross profit	0	-4479,552		-4479,552	-4479,552	22249,848
Income tax	0	0		0	0	2643,3576
Net profit	0	-4479,552		-4479,552	-4479,552	19606,4904
Cash flow						20697,39949
Discounted cash flow	-36000	-15879,552		-15879,552	-15879,552	16257,79098
Accumulated cash flow	-36000	-14949,43173		-14073,79182	-13249,44116	-62941,25651
Discounted accumulated cash flow	-36000	-51879,552		-67759,104	-83638,656	-62014,87372
IRR		23%				
DPI	27,94909724					
NPV	269 826,61					
DPP	7,167173874					
DCAPEX	36000	11297,1185		10635,40721	10012,45463	67944,98034

CALCULATION MODEL (IN USD)

NPV= \$4 497,39 MLN

IRR=23%

DPI=4.97

DPP= 7.1 YEARS-

THE PERIOD OF TIME REQUIRED FOR THE
RETURN ON INVESTED CAPITAL, AT WHICH
THE CASH FLOW IS DISCOUNTED TO THE
PRESENT VALUE

RISKS

POLITICAL RISKS

The destabilization of situation in India

ESCALATION OF MILITARY CONFLICTS (LOW RISK)

ECONOMIC RISKS

Connected weakness of Rupee

Macroeconomic instability in general

EXPROPRIATION OF COMPANY ASSETS (LOW RISK)

OPERATIONAL RISKS

Including risks connected with human capital that is differed from earlier involved (non-competence and others)

RISK MANAGEMENT

- HIGHER REQUIREMENTS TO THE CALCULATION MODEL OF THE PROJECT
- IF THE POLITICAL OR SOCIO-ECONOMIC SITUATION IN THE REGION (INDIA) WOULD DETERIORATE, PEPSI MAY IMPLEMENT ANTI-CRISIS MEASURES AS COST CUTTING, OPTIMIZATION OF THE INVESTMENT PROGRAM, REDUCTION OF SHARE IN THE PROJECT ENGAGEMENT OF PARTNERS AND MAY BE EVEN RECALCULATION OF MODEL WITH HIGHER DISCOUNT RATE AND THE SEARCH OF NEW OPTIMAL STRATEGY THROUGH IT.

CONCLUSIONS

**CONSIDERING ALL CALCULATED CRITERIA, THE PROJECT IS PROFITABLE
(NPV>0, HIGH IRR AND DPP IS ON GOOD LEVEL CONSIDERING THAT THE
PROJECT IMPLIES EXPANSION IN ANOTHER COUNTRY).**

**THE RISKS ARE ACCEPTABLE BUT SIGNIFICANT,
NEVERTHELESS THE PROJECT IS RECOMMENDED.**

RESOURCES



<https://www.pepsico.com/news/press-release/pepsico-to-invest-over-1bn-pln-in-new-food-manufacturing-plant-in-poland>



<https://www.pepsico.com/news/press-release/pepsico-announces-strategic-end-to-end-transformation-pep-pepsico-positive09152021>



<https://pages.stern.nyu.edu/~adamodar/>



<https://finance.yahoo.com/quote/PEP/>



Shiller Database

THANK YOU!