



# PEPSICO

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PRESENTATION TO THE CELANI FUND || NICK BALE, WILL CISKE, MICHAEL AMELING

# OUTLINE

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Executive Summary



Company Overview



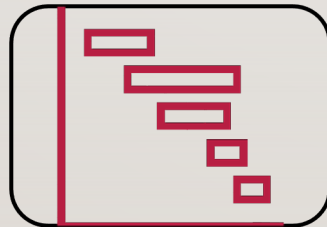
SWOT Analysis



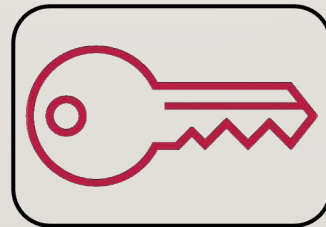
Ratio Analysis



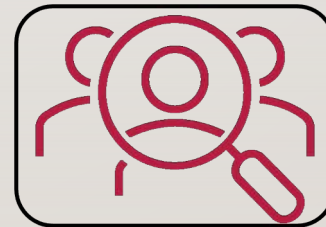
Company  
Comparable Analysis



Discounted Cash  
Flow Valuation



Key Valuation Metrics



Conclusion and  
Recommendations

# RECOMMENDATION: SELL

- Original purchase price: \$142.16
- Current price: \$167.65
- 20% overvalued
- Abnormally high valuation

Terminal Value	
Numerator	11,833
Denominator	5.43%
Terminal value	217,989
Present value of terminal value	167,268
Add first five years	48,115
Enterprise value	215,383
Less: Net debt	30,430
<b>Equity value</b>	<b>184,953</b>
Value per share	134.02
Share price as of 9/18/22	167.25
<b>% Overvalued</b>	<b>19.87%</b>

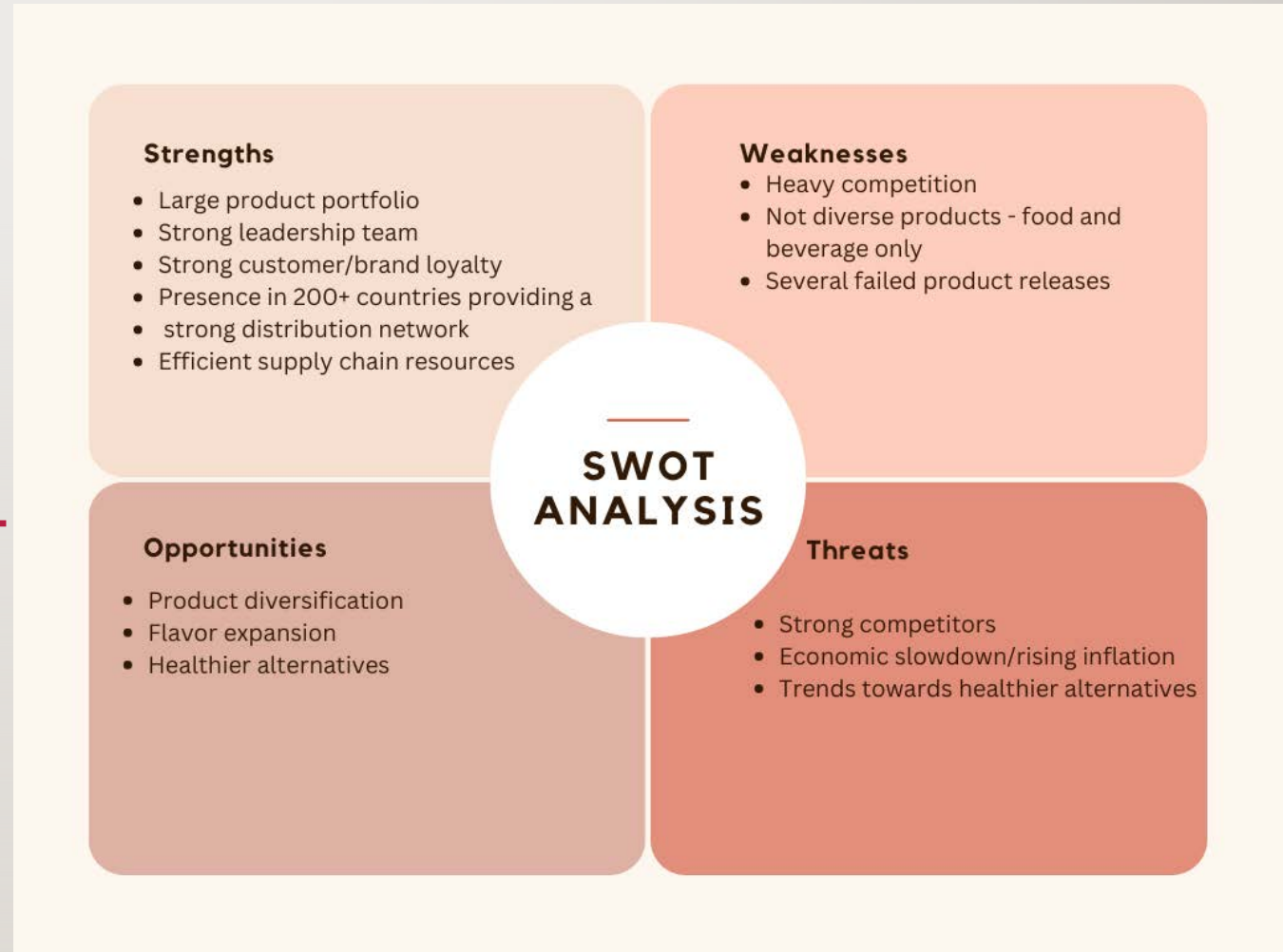
# COMPANY OVERVIEW

- Founded in 1965
- Owns 23 brands that generates more than \$1 Billion each per year.
- Diverse portfolio
- Largest food and beverage company in North America
- Majority of revenue comes from its food brands



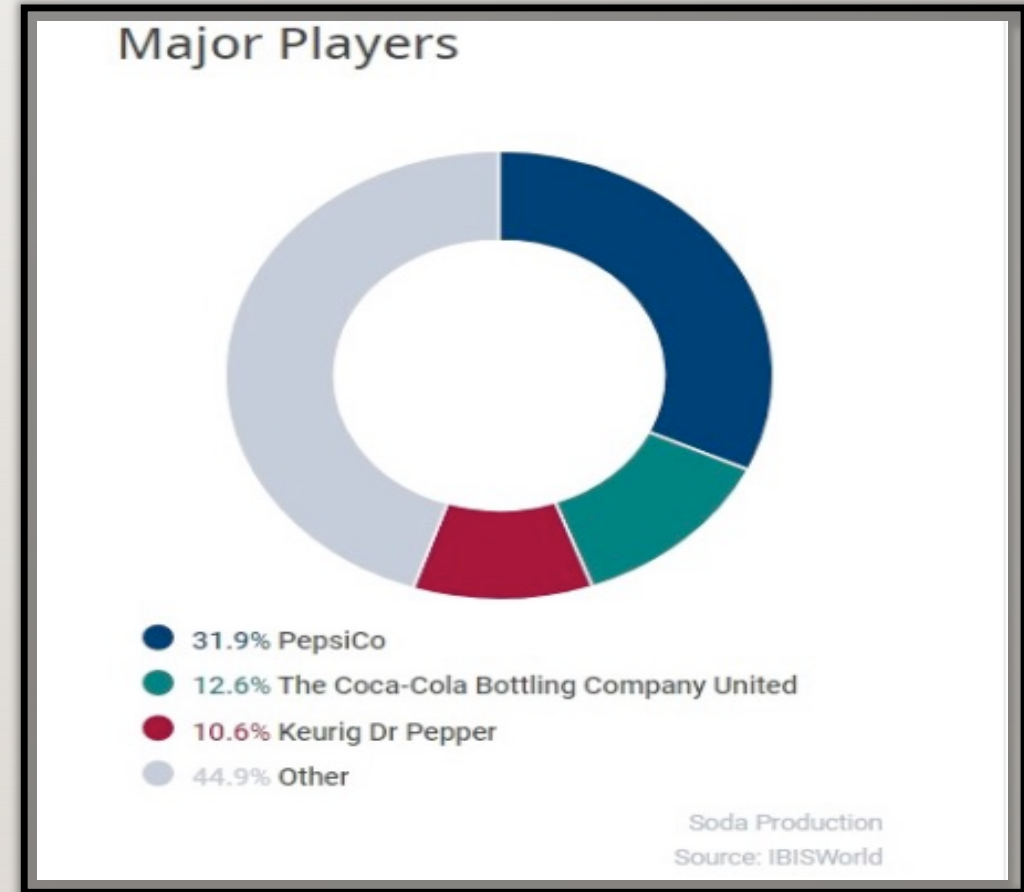
# SWOT ANALYSIS

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# INDUSTRY OVERVIEW




- Food and beverage industry is trending towards healthier alternatives such as whole foods, plant based, etc.
- Responsible sourcing is becoming increasingly more popular (Eco-friendly, biodegradable packaging, reef safe, etc.)
- Integrated technology continues to stay relevant in the food and beverage industry
- Although there is a push for healthier alternatives, there is still a massive market for the items like those in PepsiCo's (and competitors) product portfolio



# RATIO ANALYSIS

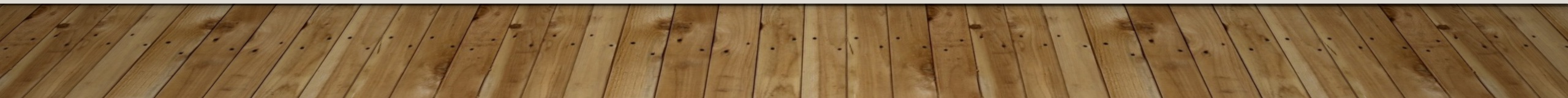
Ratios	PEPSICO, INC. (XNAS:PEP)	THE COCA-COLA COMPANY (XNYS:KO)	KEURIG DR PEPPER INC. (XNAS:KDP)	Average (Excluding PEP)
<b>Liquidity Ratios</b>				
Cash Ratio	0.21	0.49	0.09	0.29
Quick Ratio	0.13	0.14	0.03	0.09
Current Ratio	0.83	1.13	0.47	0.80
<b>Efficiency</b>				
Days receivables	39.86	33.16	33.04	33.10
Days payables	208.31	347.46	276.08	311.77
<b>Financial Leverage</b>				
Leverage Ratio	4.72	2.80	1.03	1.91
<b>Profitability</b>				
Return on assets (ROA)	8.30%	10.50%	4.30%	7.40%
Gross margin	53.35%	60.27%	55.01%	57.64%
<b>Growth</b>				
One-year sales growth	9.85%	14.59%	8.40%	11.50%
P/E Ratio	30.62	26.55	24.85	25.70

# COMPANY COMPARABLE ANALYSIS

Name/Ticker	Price	Shares Outstanding	Market Cap (M)	Enterprise Value (M)	P/E TTM	Sales (M)	Net Income (M)	EPS TTM	EV/Sales
 PEPSICO, INC. (XNAS:PEP)	\$ 167	1,380,085,000	\$ 230,433	\$ 301,063	30.25	\$79,474	\$7,618	5.52	3.79
 THE COCA-COLA COMPANY (XNYS:KO)	\$59.54	\$ 4,324,629,000	\$ 257,488	\$ 317,298	26.26	\$38,655	\$9,804	2.27	8.21
 KEURIG DR PEPPER INC. (XNAS:KDP)	\$37.17	\$ 1,416,112,000	\$ 52,637	\$ 77,696	24.53	\$12,683	\$2,146	1.52	6.13

- Market Cap: Price per share x shares outstanding
- Enterprise Value: Market cap + total debt – cash/cash equivalents

Name/Ticker	Enterprise Value (M)
 PEPSICO, INC. (XNAS:PEP)	\$ 301,063
 THE COCA-COLA COMPANY (XNYS:KO)	\$ 317,298
 KEURIG DR PEPPER INC. (XNAS:KDP)	\$ 77,696





# DISCOUNTED CASH FLOW VALUATION

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Free Cash Flow					
NOPAT	10,719	10,997	11,288	11,606	11,845
Net Capital Expenditures	151	152	98	108	116
Net working capital changes	118	123	128	99	102
Free cash flow	10,686	10,968	11,317	11,597	11,832
WACC	5.44%				
Net present value of free cash flow	10,134	9,865	9,654	9,383	9,079
<b>Total present value of free cash flow</b>	<b>48,115</b>				

# KEY VALUATION METRICS

- WACC of 5.44%
- Long term growth rate of .01% due to mature/declining industry dynamics

PepsiCo					
Income Statement					
(In thousands, except per share data)					
	2022	2023	2024	2025	2026
Revenue growth	7.00%	4.00%	4.00%	4.00%	2.00%
Cost of revenues	6.50%	3.75%	3.75%	3.75%	1.75%
Selling, General, and Administrative	6.50%	3.75%	3.75%	3.75%	1.75%
Income tax rate	20.50%	20.50%	20.50%	20.50%	20.50%
Interest expense	\$1,198	\$875	\$533	\$191	\$0
Balance Sheet					
	2022	2023	2024	2025	2026
Current assets	4.00%	4.00%	4.00%	3.00%	3.00%
PP&E capex	15.00%	15.00%	12.00%	12.00%	12.00%
Depreciation expense	10.50%	10.50%	8.40%	8.04%	7.80%
Non-current assets	4.00%	4.00%	4.00%	3.00%	3.00%
Current liabilities	4.00%	4.00%	4.00%	3.00%	3.00%
Non-current liabilities	4.00%	4.00%	4.00%	3.00%	3.00%
Amortization expense	1.00%	1.00%	1.00%	1.00%	1.00%

# VALUATION OUTPERFORMANCE DUE TO MARKET POSITIONING

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- Market positioned for recession
- Consumer staples outperform into a recession
- PepsiCo can withstand tough economic conditions
- This had led to a historically high valuation with a P/E of 30.33
- We want to sell at a historically high valuation
- There are better market opportunities in the long-term

# CONCLUSION: SELL

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- Original purchase price: \$142.16
- Current price: \$167.65
- Realizing profits with no tax implications
- 20% overvalued
- Abnormally high valuation
- Good from a PM perspective
- A higher cash balance is good in a volatile market

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