



# PEPSICO

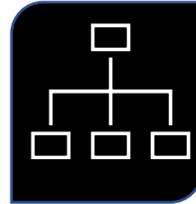
Presentation to the Celani Fund  
3/29/21

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# Agenda



Summary



Business Overview



Industry Overview



Ratio Analysis



Valuation



Conclusion

# Investment Summary



Recommendation:      Valuation Price: \$157.45

## Buy

- Pepsi is currently undervalued in our valuation
- Industry growth is slightly lower due to Covid-19, but they consistently have been an industry leader

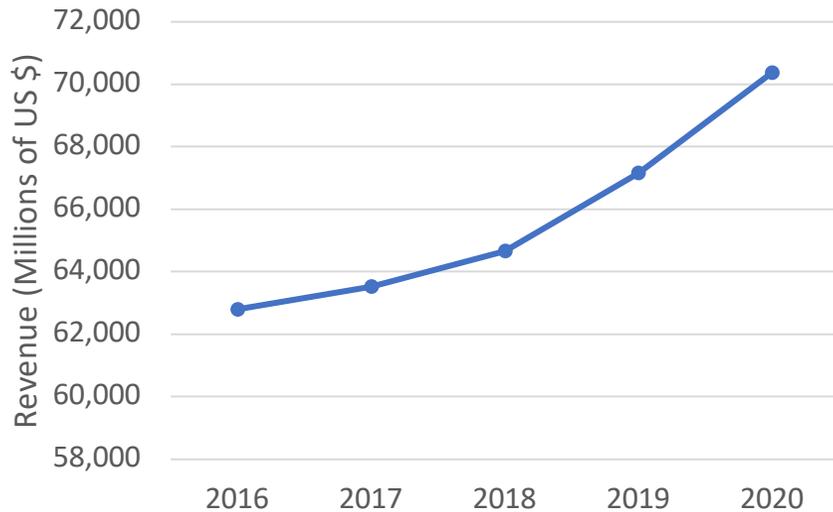
Pepsi 1 Year Stock Price



# Business Overview



Revenue Growth



- Own 23 brands that generate over \$1 billion in revenue a year
- With a diverse portfolio of soft drink and food brands, they are protected from any shift in consumer taste

**Beverage**

45%

**Snack & Food**

55%

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Valuation & Investment Risks

# Industry Overview



## Industry Drivers

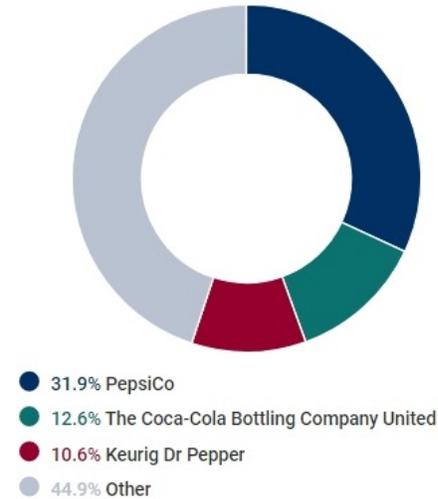
Disposable income

Consumer spending

Price of corn

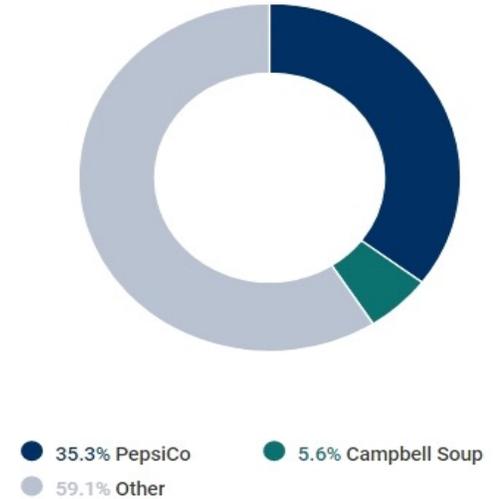
- Growing health concerns result in actively researching healthier ingredients for products
- 5.3% sales growth and slightly declining in the years following
- Per capita disposable income expected to increase over next five years

Major Players



Soda Production  
Source: IBISWorld

Major Players



Snack Food Production  
Source: IBISWorld

\*Pepsi has an agreement to bottle Dr Pepper products

- Soda production is a \$39 billion industry
- Snack food production is a \$42 billion industry

Investment  
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Valuation &  
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# Ratio Analysis



Earnings Multiples	Pepsi	Coca-Cola	Kellogg	Campbell	Conagra	Nestle	Average
EPS	5.12	1.79	3.63	2.66	2.27	4.65	3.35
P/E	29.39	28.41	18.04	23.93	18.01	23.96	23.62
P/B	15.18	12.68	7.03	5.50	2.20	6.34	8.16
EV/EBITDA	22.08	20.62	12.49	12.02	11.16	20.30	16.45
Dividend	4.09	1.68	2.32	1.48	1.10	3.07	2.29

Liquidity	Pepsi	Coca-Cola	Kellogg	Campbell	Conagra	Nestle	Average
Current	0.98	1.32	0.67	0.91	0.84	0.86	0.93
Quick	0.77	0.96	0.30	0.61	0.35	0.61	0.60
Leverage Ratio	6.43	4.50	1.86	1.94	1.12	0.34	2.70

# Valuation – DCF



DCF					
	2021	2022	2023	2024	2025
EBIT	11,355	11,891	12,402	12,874	13,299
Less Tax	2,384	2,497	2,604	2,704	2,793
NOPAT	8,970	9,394	9,798	10,170	10,506
Less NWC Changes	(833)	(221)	(207)	(191)	(172)
Less PPE Changes	(125)	(126)	(127)	(128)	(128)
FCF	8,012	9,047	9,464	9,852	10,206

- WACC at 5.76% calculated using:
  - Debt/Equity Weight: 17.74%, 82.26%
  - Cost of Debt: 2.55%
  - Cost of Equity: 6.57%
  - MRP: 5.60%
  - RFR: 1.66%
  - Beta: .586
- Long-term growth rate: 2%
  - Net reinvestment rate: 3.05%
  - ROIC: 12.53%

		WACC				
		4.75%	5.25%	5.76%	6.00%	6.25%
LT Growth Rate	0.20%	135.74	119.60	106.03	100.62	95.34
	0.37%	141.04	123.81	109.42	103.71	98.15
	1.00%	164.90	142.35	124.08	116.98	110.14
	1.50%	190.42	161.49	138.81	130.17	121.92
	2.00%	225.21	186.53	157.45	146.64	136.48
	2.25%	247.83	202.17	168.76	156.53	145.12
	2.50%	275.47	220.67	181.80	167.83	154.91

- Valuation Price: \$157.45
  - Suggested: 5.81%
- Undervalued**



# Valuation – EBITDA Multiple



In thousands	Coca-Cola	Kellogg	Campbell	Conagra	Nestle	Average
Market Cap	236,360,400	20,972,983	14,538,419	17,579,108	332,196,000	124,329,382
Net Debt	940,465	8,140,000	6,260,000	6,260,000	43,360,000	12,992,093
EV	237,300,865	29,112,983	20,798,419	27,119,108	375,556,000	137,977,475
EV/EBITDA	20.62	12.49	12.02	11.16	20.30	15.32

- Coca-Cola + Nestle Multiple: 20.45
- Implied Valuation: \$132.77
- Suggested: 10.47%  
**Overvalued** @ 12/31 \$148.30
- Price Today: \$144.64

PEP	
Pepsi EBITDA	10,731,240
Enterprise value	219,546,438
Less net debt	36,328,000
Equity value	183,218,438
Shares o/s	1,380,000
Price per share	132.77
Market price	148.30
Valued	10.47%

# Conclusion



**Current Price: \$144.64**

**Valuation: \$157.45**

- Pepsi has a wide range of products from beverages to food and snacks
- The industry leader in Beverage and Food/Snack manufacturing
- The current portfolio has Kraft, Kellogg, and McDonald's which would increase exposure/weighting to the consumer staples sector
- Strong future growth potential with all their individual brands and partnerships
- Consistent demand from loyal customers
- Exit Strategy- If stock price does not reach/exceed \$160 within two years, liquidate position. If stock price drops below \$120 with a corresponding change in fundamentals liquidate position.

**Investment Recommendation**  
**Buy \$100,000 of PEP**