

Company: PEPSI CO INC	Ticker: PEP	Current Price: \$ 151	Industry: Consumer Defensive	Sub Industry: Beverages - Non-Alcoholic
Target Price: \$169 Stop Loss: \$137 52 Week High/ Low: \$127.60–174.00	TTM P/E: 28.86 Forward P/E: 18.19 EPS: \$5.26	Beta: 0.42 Credit Rating: A+ (S&P) Rating Outlook: Stable	Market Cap: \$207.55B Avg Vol (20 Day): 7.4MM Dividend Yield: 3.76%	

Company Background:
PepsiCo, Inc. is an American multinational food, snack, and beverage company headquartered in Purchase, New York. It was formed in 1965 through the merger of Pepsi-Cola and Frito-Lay. PepsiCo’s best-known products include Pepsi, Lay’s, Gatorade, Quaker, and Doritos.
Industry Outlook:
CFRA Research maintains a neutral outlook for the Food, Beverages & Tobacco industry. Sector growth is expected to rebound in 2025, led by non-alcoholic beverages with projected revenue growth of 12.7%, while food and alcoholic beverages rise 9.9% and 7.9%, respectively. Margin expansion is anticipated as input costs ease and cost-efficiency programs strengthen profitability. The S&P 500 Non-Alcoholic Beverage Sub-Industry is up about 6.4% year-to-date, trading at a forward P/E of 24.8x versus 20.2x for the broader S&P 500, supported by a three-year EPS CAGR of 10.9%. PepsiCo (PEP) remains a key player with a 207.55B billion market cap and 44% of sales generated internationally. For 2024, PepsiCo reported \$91.9 billion in revenue, \$9.2 billion in net income, and EPS of \$6.95, trading at roughly 21x forward earnings with a 3.76% dividend yield, 2.0x debt-to-equity, and 53% ROE. While pricing has been the main driver of growth since 2021, volume recovery is underway—U.S. beverage sales rose 3.3% in 2024, led by bottled water and energy drinks. Looking ahead, analysts expect low-single-digit revenue growth in 2025 and a return to mid-single-digit EPS growth in 2026 as PepsiCo focuses on innovation, healthier products, and operational efficiency.
Investment Thesis:
PepsiCo (PEP) has shown steady growth with 2024 revenue of \$91.9 billion and net income of \$9.2 billion. It maintains solid profitability — 14% operating margin, 10% net margin, and 53% ROE — supported by strong pricing power and global diversification. The balance sheet remains healthy with a 2.0x debt-to-equity ratio and a 3.76% dividend yield. Analysts expect 3–4% annual revenue growth and 5–6% EPS growth through 2026, driven by efficiency programs and expansion into healthier product lines.
Investment Risks:
1- Intense Industry Competition: PepsiCo faces strong competition from Coca-Cola, Nestlé, and private-label brands, which can pressure pricing and market share. Mitigant: PepsiCo’s diversified portfolio, global scale, and brand loyalty help maintain competitive strength and reduce reliance on any single product category. 2- Rising Input Costs and Inflation: Increases in commodity, packaging, and transportation costs can erode margins and impact profitability. Mitigant: PepsiCo actively manages costs through hedging strategies, supplier agreements, and productivity initiatives to offset inflationary pressures. 3- Shifting Consumer Preferences: Consumers are increasingly moving toward healthier and low-sugar options, challenging legacy brands. Mitigant: PepsiCo is adapting through innovation and product reformulation, expanding its “Better for You” line with products like Bubly, Quaker, Poppi, and Naked Juice to align with changing tastes.
3-5 take away from last quarter investor call transcript:
<ul style="list-style-type: none"> Focus on Portfolio Transformation: Management emphasized a “sense of urgency” in reigniting top-line growth through brand relaunches (Lay’s, Tostitos, Gatorade) and innovation in protein-based and no-artificial products, including Muscle Milk, Propel, and Doritos Protein Volume Recovery and Innovation Momentum: PepsiCo reported volume growth in beverages driven by Pepsi and Gatorade, while food volume stabilized following pricing and promotional adjustments. Productivity and Cost Restructuring: PepsiCo is rightsizing fixed costs across manufacturing, warehousing, and go-to-market operations, targeting meaningful margin expansion in 2026.

Financial Performance: PEP								Discounted Cash Flow			
In millions*	2019	2020	2021	2022	2023	2024	TTM		2025-29	2030-35	
Revenue*	67,161	70,372	79,474	86,392	91,471	91,854	92,366		Avg Revenue growth	3.9%	NA
Operating Profit*	10,291	10,080	11,162	11,357	12,913	12,920	12,217		Avg EBITDA Margin	18.7%	NA
Net Income *	7,314	7,120	7,618	8,910	9,074	9,578	7,223		Avg Net EBIT Margin	14.1%	NA
Revenue Growth %	3.87%	4.78%	12.93%	8.70%	5.88%	0.42%	0.49%		Avg Debt/Equity	NA	NA
EBITDA%	18.88%	18.11%	18.75%	17.27%	17.22%	18.16%	15.34%		Avg FCF / Margin	NA	NA
Operating Profit %	15.32%	14.32%	14.04%	13.15%	14.12%	14.07%	13.23%		Cost of Debt	4.707%	
Net Income Margin	10.95%	10.20%	9.66%	10.39%	10.01%	10.48%	7.88%		Tax Rate	19.3%	
D/E	1.97	3.00	2.25	2.08	2.03	2.06	2.14		Cost of Equity	6.17%	
EPS	5.49	5.46	6.25	6.79	7.62	8.16	7.85		WACC	5.8%	
PE Ratio	15.62	29.37	29.59	25.85	28.31	22.43	29.09		Perpetuity growth rate	2.0%	
Current Ratio	0.86	0.98	0.83	0.80	0.85	0.82	0.78		Analyst Opinion		
ROE	49.92%	50.42%	51.65%	53.69%	50.90%	52.42%	NA		Buy: 42	Hold: 5	Sell: 0
ROA	9.37%	8.30%	8.22%	9.66%	9.42%	9.58%	NA			Rating	Target
Dividend Per share	3.79	4.02	4.25	4.53	4.95	5.33	5.56		S&P Net Advantage	Buy	\$169
FCF	5,900	6,680	6,270	6,490	8,260	8,890	8,450		Morning Star	★★★★	N/A

Relative Valuation					
	PEPSI Co Inc (PEP)	COCA-COLA (KO)	Monster Beverage Corp (MNST)	Diageo PLC (DEO)	PEER GROUP Avg.*
P/E	28.99x	23.15x	43.62x	22.47X	29.06x
P/B	11.27	10.90	7.94	8.68	9.70
Dividend Yield	3.67	2.89	0.00	4.30	2.72%
PEG Ratio	2.81	2.99	2.22	1.88	2.48
EPS	7.85	2.97	1.75	6.63	4.80
Revn Grth	0.49%	2.80%	3.70%	-0.12%	1.72%
NI Grth	-24.6%	22.6%	3.97%	0	0.99%
Operating Margin	13.23%	31.29%	26.93%	21.41%	23.22%
Debt / Equity	2.09	1.58	0.06	1.36%	1.27
Market Cap	\$207.55B	\$301.03B	\$68.02B	\$52.93B	-
Revenue TTM	92,366	47,663	7,659.16	20.245	-
Net Income TTM	7.22	13.03	1.57	2.35	-
FCF TTM	8.45	10.98	1.67	2.76	-

Total Return			
	PEP	Industry	S&P 500
YTD	3.40	12.01	14.74
Last 3 Years	-0.86	7.08	22.70
Last 5 Years	4.90	8.42	15.07

CSR Characteristics

	PEP
Governance Disclosure Score	19.28
ESG Disclosure	44
Social Disclosure Score	5.1
Environmental Disclosure Score	7.8

Prepared by Helmy Salah (10/27/ 2025) using Bloomberg,
S&P Net Advantage, Morning Star, Yahoo Finance

*Industry Avg. NI Grth, Operating Margin, Revenue TTM, FCF TTM includes companies listed.