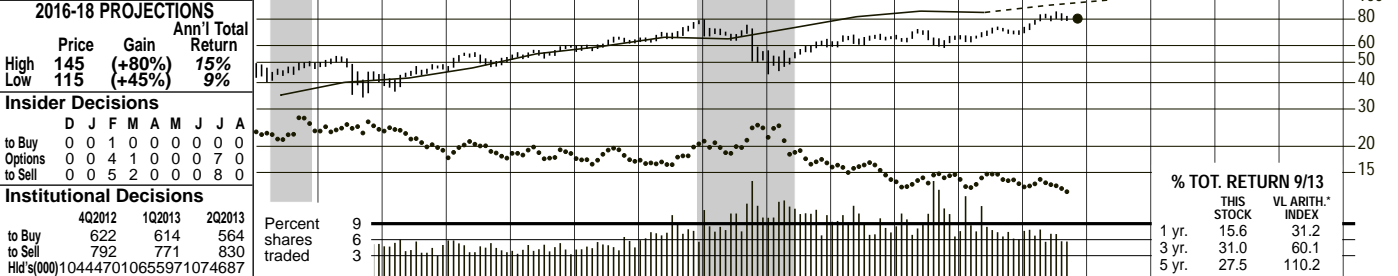


PEPSICO, INC. NYSE-PEP

RECENT PRICE **80.60** P/E RATIO **18.6** (Trailing: 19.0 Median: 20.0) RELATIVE P/E RATIO **1.02** DIV'D YLD **2.8%** VALUE LINE

TIMELINESS 3 Raised 9/7/12	High: 53.5	48.9	55.7	60.3	66.0	79.0	79.8	64.5	68.1	71.9	73.7	87.1							Target Price Range
SAFETY 1 Raised 5/11/01	Low: 34.0	36.2	45.3	51.3	56.0	61.9	49.7	43.8	58.8	58.5	62.2	68.6							2016 2017 2018
TECHNICAL 3 Lowered 10/18/13	LEGENDS — 15.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded areas indicate recessions																		
BETA .60 (1.00 = Market)																			



1997F	1998	1999F	2000	2001F	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
13.93	15.19	14.00	14.13	13.79	14.58	15.82	17.43	19.66	21.45	24.59	27.85	27.62	36.58	42.52	42.42	43.45	45.85	Sales per sh ^A	53.75
1.89	2.04	1.98	2.27	2.32	2.68	2.81	3.14	3.65	3.95	4.38	4.30	4.84	5.47	5.83	5.74	6.15	6.55	"Cash Flow" per sh	8.65
1.10	1.16	1.23	1.48	1.66	1.96	2.05	2.32	2.69	3.00	3.34	3.21	3.77	3.91	3.98	3.92	4.30	4.65	Earnings per sh ^{A,B}	6.50
.49	.52	.54	.56	.58	.60	.63	.85	1.01	1.16	1.43	1.60	1.75	1.89	2.03	2.13	2.21	2.34	Div'ds Decl'd per sh ^C	2.68
1.00	.96	.77	.74	.75	.83	.79	.83	1.05	1.26	1.51	1.58	1.36	2.06	2.14	1.76	2.10	2.15	Cap'l Spending per sh	2.50
4.62	4.35	4.73	5.01	4.91	5.37	6.94	8.03	8.58	9.36	10.71	7.77	11.12	13.56	13.34	14.48	16.35	18.20	Book Value per sh ^D	24.60
1502.0	1471.0	1455.0	1446.0	1756.0	1722.0	1705.0	1679.0	1656.0	1638.0	1605.0	1553.0	1565.0	1581.0	1564.0	1544.0	1535.00	1525.00	Common Shs Outst'g ^E	1475.00
32.5	32.4	29.8	27.7	27.8	23.6	21.5	22.1	20.6	20.4	20.5	20.5	14.7	16.5	16.4	17.4	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	20.0
1.87	1.69	1.70	1.80	1.42	1.29	1.23	1.17	1.10	1.10	1.09	1.23	.98	1.05	1.03	1.11			Relative P/E Ratio	1.35
1.4%	1.4%	1.5%	1.4%	1.3%	1.3%	1.4%	1.7%	1.8%	1.9%	2.1%	2.4%	3.2%	2.9%	3.1%	3.1%			Avg Ann'l Div'd Yield	2.1%

CAPITAL STRUCTURE as of 9/27/13		2011	2012	9/27/13	2011	2012	9/27/13	2011	2012	9/27/13	2011	2012	9/27/13	2011	2012	9/27/13	2011	2012	9/27/13	2011	2012	9/27/13
Total Debt \$29549 mill. Due in 5 Yrs \$16121 mill.		26971	29261	32562	35137	39474	43251	43232	57838	66504	65492	66700	69900	66504	65492	66700	69900	Sales (\$mill) ^F	79300			
LT Debt \$24293 mill. LT Interest \$850x mill.		23.0%	22.6%	22.9%	22.5%	21.9%	19.6%	22.4%	18.4%	18.5%	18.0%	19.0%	19.0%	18.5%	18.0%	19.0%	19.0%	Operating Margin	21.5%			
(Total interest coverage: 21.9x) (50% of Cap'l)		1221.0	1264.0	1458.0	1406.0	1484.0	1543.0	1635.0	2327.0	2737.0	2689.0	2700	2725	2737.0	2689.0	2700	2725	Depreciation (\$mill)	2900			
Leases, Uncapitalized \$2,061 mill.		3568.0	4004.0	4591.0	5065.0	5543.0	5142.0	5946.0	6320.0	6379.1	6178.0	6730	7230	6379.1	6178.0	6730	7230	Net Profit (\$mill)	9825			
Pension Assets-12/12 \$13.2 bill. Oblig. \$15.6 bill.		28.5%	29.0%	29.0%	28.0%	27.4%	26.8%	26.0%	23.0%	26.9%	25.2%	25.0%	25.0%	26.9%	25.2%	25.0%	25.0%	Income Tax Rate	25.0%			
Pfd Stock \$41.0 mill. Pfd Div'd \$1.8 mill.		13.2%	13.7%	14.1%	14.4%	14.0%	11.9%	13.8%	10.9%	9.6%	9.4%	10.1%	10.3%	9.6%	9.4%	10.1%	10.3%	Net Profit Margin	12.4%			
2067,65 shs., each conv. into 4.96 common shs.		515.0	1887.0	1048.0	2270.0	2398.0	2019.0	3815.0	1677.0	713.0	1631.0	2000	2100	713.0	1631.0	2000	2100	Working Cap'l (\$mill)	4500			
Common Stock 1,542,214,401 shs. as of 7/17/13		1702.0	2397.0	2313.0	2550.0	4203.0	7858.0	7400.0	19999	20568	23544	24000	24000	20568	23544	24000	24000	Long-Term Debt (\$mill)	20000			
MARKET CAP: \$126 billion (Large Cap)		11874	13523	14251	15368	17234	12106	17442	21476	20899	22399	25100	27770	20899	22399	25100	27770	Shr. Equity (\$mill)	36250			
CURRENT POSITION		26.7%	25.5%	28.1%	28.7%	26.2%	26.4%	24.6%	16.3%	16.4%	14.4%	14.5%	15.0%	16.4%	14.4%	14.5%	15.0%	Return on Total Cap'l	18.0%			
CASH ASSETS		30.0%	29.6%	32.2%	33.0%	32.2%	42.5%	34.1%	29.4%	30.5%	27.6%	27.0%	26.0%	30.5%	27.6%	27.0%	26.0%	Return on Shr. Equity	27.0%			
RECEIVABLES		21.1%	19.9%	20.8%	21.0%	19.4%	21.6%	18.5%	15.6%	15.4%	12.9%	13.5%	13.0%	15.4%	12.9%	13.5%	13.0%	Retained to Com Eq	16.0%			
INVENTORY		30%	33%	36%	37%	40%	49%	46%	47%	49%	53%	50%	50%	49%	53%	50%	50%	All Div'ds to Net Prof	40%			

BUSINESS: PepsiCo, Inc. operates four major businesses: Frito-Lay North America, 21% of sales and 35% of operating profits in '12; PepsiCo Beverages NA, 33% and 28%; Quaker Foods NA, 4% and 7%; and PepsiCo Int'l. (snacks and beverages), 42% and 30%. Quaker Oats acq., 8/01; Pepsi Bottling Group and PepsiAmericas acq. 2/10. Major beverage products: *Pepsi-Cola*, *Gatorade*, and *Tropicana*. Specialty snack foods: *Frito-Lay* (brand names include *Doritos*, *Ruffles*, and *Lay's*), *Walker's*, *Smith's*, *Sabritas*. Has about 278,000 employees, insiders own less than 1% of stock, The Vanguard Group; 5.0% (3/13 Proxy). Chairman & CEO: Indra Nooyi. Inc.: NC. Add.: 700 Anderson Hill Road, Purchase, NY 10577. Tel.: 914-253-2000. Internet: www.pepsico.com.

PepsiCo reported solid results during the 2013 third quarter. Despite a challenging operating landscape, mainly owing to lower consumption trends for beverages, sales managed to advance 1.5% during the September period. Increased advertising and promotional activities should facilitate an almost 2% top-line advance this year. Furthermore, the company's diverse and profitable snack business should allow sales to expand.

We have clipped a nickel and dime off of our 2013 and 2014 share-net estimates, respectively. The company should realize high single-digit earnings growth to around \$4.30 and \$4.65. Although slightly lower than our previous forecasts, the adjustment reflects lighter revenue growth. On a more upbeat note, productivity initiatives ought to yield \$900 million in savings this year, and a total of \$1 billion over a three-year duration (by 2014).

Part of the cost savings is being shared with PepsiCo investors. This is mainly via an ongoing share-repurchase program and healthy dividend payments. At present, the current dividend yield is above the *Value Line* average. Furthermore, some of the extra cash is being utilized to fuel product innovation, both in the beverage and snack categories.

Growth strides should create solid long-term opportunities for investors. At the forefront, a blossoming geographic footprint, especially those in emerging markets such as Turkey, the Asia/Pacific region, and the Middle East, should benefit PepsiCo's top and bottom lines. Also, the beverage stalwart will likely continue to capitalize on shifting consumer trends and allocate its resources accordingly. Notably, the expansion of healthier snack and beverage selections ought to result in growing interest, since individuals appear to have an appetite for healthier food and drink choices.

This high-quality issue (Safety: 1) should appeal to several types of investors. Income-oriented investors should like the current yield (2.8%). Also, patient accounts may well be rewarded, since 3- to 5-year capital appreciation potential for these neutrally ranked shares is above average.

Nira Maharaj
October 25, 2013

(A) Qtrts. are 12, 12, 12 and 16 wks. (B) Dil. egs. Excl. nonrecr. gains (losses): '98, 15c; '99, 14c; '01, (14c); '02, (11c); '04, (12c); '05, (27c); '06, 34c; '07, 7c; '11, 4c. '10 egs. ref. costs due to the acquisitions of its two largest bottlers. May not sum due to rounding. Next egs. rpt. due early November. (C) Divs. hist. paid Jan., Mar., Jun., Sept. ■ Reinvest. plan. avail. (D) Incl. intang. In '12: \$33.4 bill., \$2.16/sh. (E) In maj. (F) Ref. Restaurant spinoff ('97), sale of mill. of Pepsi Bott. Gr. ('99), and reclass. of selling exp. ('01).	Company's Financial Strength	A++
	Stock's Price Stability	100
	Price Growth Persistence	75
	Earnings Predictability	95