

# PEPSICO, INC. NYSE-PEP

RECENT PRICE **70.33** P/E RATIO **17.2** (Trailing: 17.8; Median: 21.0) RELATIVE P/E RATIO **1.18** DIV'D YLD **3.1%** VALUE LINE

**TIMELINESS** 4 Lowered 2/17/12  
**SAFETY** 1 Raised 5/11/01  
**TECHNICAL** 3 Lowered 5/25/12  
**BETA** .60 (1.00 = Market)

High: 50.5 53.5 48.9 55.7 60.3 66.0 79.0 79.8 64.5 68.1 71.9 70.9  
 Low: 40.3 34.0 36.2 45.3 51.3 56.0 61.9 49.7 43.8 58.8 58.5 62.2

LEGENDS  
 — 15.0 x "Cash Flow" p sh  
 ... Relative Price Strength  
 Options: Yes  
 Shaded areas indicate recessions

Target Price Range  
 2015 2016 2017

**2015-17 PROJECTIONS**

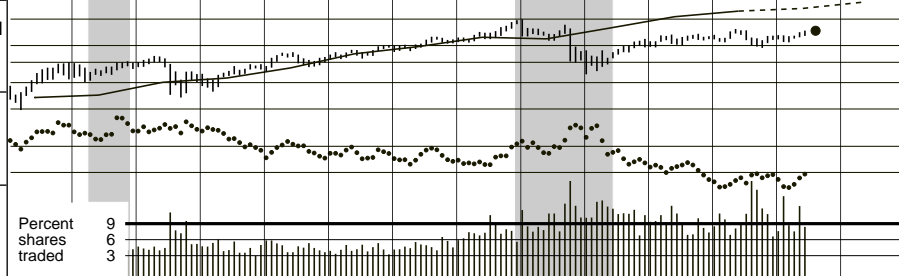
	Price	Gain	Ann'l Total Return
High	135	(+90%)	20%
Low	110	(+55%)	14%

**Insider Decisions**

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	3	0	0	0	0	2	2	2	2
to Sell	0	3	0	0	0	4	2	2	2

**Institutional Decisions**

	3Q2011	4Q2011	1Q2012
to Buy	728	704	751
to Sell	620	647	645
Hlds(000)	1040802	1027724	1050886



% TOT. RETURN 6/12  
 THIS STOCK VS. ARITH. INDEX

1 yr.	3.6	-4.1
3 yr.	38.2	68.8
5 yr.	23.5	19.0

1996	1997F	1998	1999F	2000	2001F	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
20.48	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	<b>44.45</b>	<b>45.95</b>	Sales per sh <sup>A G</sup>	53.05
2.32	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	<b>6.00</b>	<b>6.45</b>	"Cash Flow" per sh	8.50
1.17	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	<b>4.10</b>	<b>4.45</b>	Earnings per sh <sup>A G B</sup>	6.20
.45	.49	.52	.54	.56	.58	.60	.63	.85	1.01	1.16	1.43	1.60	1.75	1.89	2.03	<b>2.12</b>	<b>2.20</b>	Div'ds Decl'd per sh <sup>C</sup>	2.40
1.48	1.00	.96	.77	.74	.75	.83	.79	.83	1.05	1.26	1.51	1.58	1.36	2.06	2.14	<b>2.10</b>	<b>2.15</b>	Cap'l Spending per sh	2.50
4.29	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	<b>14.05</b>	<b>15.80</b>	Book Value per sh <sup>D</sup>	22.00
1545.0	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	<b>1534.00</b>	<b>1525.00</b>	Common Shs Outst'g <sup>E</sup>	1475.00
26.5	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	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	20.0
1.66	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			Relative P/E Ratio	1.35
1.4%	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%			Avg Ann'l Div'd Yield	2.0%

**CAPITAL STRUCTURE as of 3/24/12**  
 Total Debt \$27710 mill. Due in 5 Yrs \$14734 mill.  
 LT Debt \$22054 mill. LT Interest \$810 mill.  
 (Total interest coverage: 21.9x) (50% of Cap'l)

Leases, Uncapitalized \$1825 mill.

Pension Assets-12/11 \$11.1 bill. Oblig. \$14.2 bill.

Pfd Stock \$68.0 mill. Pfd Div'd \$1.8 mill.  
 2067,65 shs., each conv. into 4.96 common shs.  
 Common Stock 1,563,964,807 shs.  
 as of 4/20/12

MARKET CAP: \$110 billion (Large Cap)

25112	26971	29261	32562	35137	39474	43251	43232	57838	66504	<b>68200</b>	<b>70050</b>	Sales (\$mill) <sup>F</sup>	78250
24.2%	23.0%	22.6%	22.9%	22.5%	21.9%	19.6%	22.4%	18.4%	18.5%	<b>18.5%</b>	<b>19.0%</b>	Operating Margin	22.0%
1112.0	1221.0	1264.0	1458.0	1406.0	1484.0	1543.0	1635.0	2327.0	2737.0	<b>2850</b>	<b>2950</b>	Depreciation (\$mill)	3250
3503.0	3568.0	4004.0	4591.0	5065.0	5543.0	5142.0	5946.0	6320.0	6379.1	<b>6395</b>	<b>6900</b>	Net Profit (\$mill)	9290
31.2%	28.5%	29.0%	29.0%	28.0%	27.4%	26.8%	26.0%	23.0%	26.9%	<b>27.0%</b>	<b>27.0%</b>	Income Tax Rate	30.0%
13.9%	13.2%	13.7%	14.1%	14.4%	14.0%	11.9%	13.8%	10.9%	9.6%	<b>9.4%</b>	<b>9.8%</b>	Net Profit Margin	11.8%
361.0	515.0	1887.0	1048.0	2270.0	2398.0	2019.0	3815.0	1677.0	6713.0	<b>1775</b>	<b>2000</b>	Working Cap'l (\$mill)	3000
2187.0	1702.0	2397.0	2313.0	2550.0	4203.0	7858.0	7400.0	19999	20568	<b>22000</b>	<b>21000</b>	Long-Term Debt (\$mill)	17000
9291.0	11874	13523	14251	15368	17234	12106	17442	21476	20899	<b>21550</b>	<b>21400</b>	Shr. Equity (\$mill)	32450
31.0%	26.7%	25.5%	28.1%	28.7%	26.2%	26.4%	24.6%	16.3%	16.4%	<b>15.5%</b>	<b>16.0%</b>	Return on Total Cap'l	19.5%
37.7%	30.0%	29.6%	32.2%	33.0%	32.2%	42.5%	34.1%	29.4%	30.5%	<b>29.5%</b>	<b>28.5%</b>	Return on Shr. Equity	28.5%
26.6%	21.1%	19.9%	20.8%	21.0%	19.4%	21.6%	18.5%	15.6%	15.4%	<b>14.5%</b>	<b>15.0%</b>	Retained to Com Eq	18.0%
30%	30%	33%	36%	37%	40%	49%	46%	47%	49%	<b>51%</b>	<b>49%</b>	All Div'ds to Net Prof	38%

**CURRENT POSITION**

	2010	2011	3/24/12
Cash Assets	5943	4067	3485
Receivables	6323	6912	7158
Inventory (FIFO)	3372	3827	4214
Other	1931	2635	2721
Current Assets	17569	17441	17578
Accts Payable	10923	11757	11180
Debt Due	4898	6205	5656
Other	71	192	149
Current Liab.	15892	18154	16985

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
of change (per sh)			
Sales	10.0%	13.0%	7.0%
"Cash Flow"	9.5%	8.5%	8.0%
Earnings	10.5%	8.0%	8.0%
Dividends	13.0%	13.5%	4.0%
Book Value	10.0%	8.0%	9.5%

**QUARTERLY SALES (\$mill.) <sup>A</sup>**

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2009	8263	10592	11080	13297	43232
2010	9368	14801	15514	18155	57838
2011	11937	16827	17582	20158	66504
2012	12428	16975	17950	20847	68200
2013	12450	17600	19000	21000	70050

**EARNINGS PER SHARE <sup>A B</sup>**

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2009	.72	1.06	1.09	.90	3.77
2010	.89	.98	1.19	.85	3.91
2011	.71	1.17	1.25	.85	3.98
2012	.69	1.08	1.24	1.09	4.10
2013	.74	1.21	1.30	1.20	4.45

**QUARTERLY DIVIDENDS PAID <sup>C</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.75	.425	.425	--	1.60
2009	.85	.455	.45	--	1.75
2010	.90	.48	.48	--	1.86
2011	.995	.515	.515	--	2.02
2012	1.05	.537	--	--	--

**BUSINESS:** PepsiCo, Inc. operates four major businesses: Frito-Lay North America, 20% of sales and 29% of operating profits in '11; PepsiCo Beverages North America, 33% and 28%; Quaker Foods NA, 4% and 7%; and PepsiCo Intl'. (snacks and beverages), 43% and 36%. Quaker Oats acquired, 8/01; Pepsi Bottling Group and PepsiAmericas acq. 2/10. Major beverage products: Pepsi-

**A more rational pricing environment should benefit PepsiCo this year.** In light of rising commodity costs for manufacturing ingredients, like PET resin and sweeteners, the beverage giant has implemented pricing actions. Too, it has taken measures to revise its packaging structure. Such moves are expected to enable sales to increase at a modest 2.5% clip this year, since the manufacturer still has to contend with foreign currency losses and competition from other major national brands that are executing similar actions. **Cost savings should facilitate earnings growth, especially next year.** Our \$4.10 share-earnings estimate this year represents only a modest improvement over 2011, but the bottom line ought to perform better in 2013. A major productivity campaign that includes restructuring and streamlining of operations is estimated to yield around \$1.5 billion in savings through 2014. Also, \$3 billion allocated to a share-repurchase program this year ought to buoy share net. **Capital is being reinvested into the company in several ways.** First, Pepsi has already initiated an aggressive

marketing and promotional campaign for its three core products, *Pepsi*, *Gatorade*, and *Mountain Dew*. Too, it is working assiduously on its innovation pipeline with new products in existing categories such as *Pepsi Next*, a low-calorie version of the popular carbonated drink, as well as health-conscious additions to the *Frito Lay* lineup like *Sun-Dried Tomato and Parmesan*. And it is seeking to diversify its food portfolio via a joint venture with the Theo Muller Group, a German dairy company, to distribute that company's yogurts in certain U.S. states.

**Longer-term prospects are vibrant.** Investments in foreign markets with untapped potential, such as in China, Brazil, and India, are a solid catalyst to top- and bottom-line expansion. **These high-quality shares may suit long-term investors, given the decent 3- to 5-year capital appreciation potential.** Income-oriented investors should also favor the above-average dividend yield. But short-term accounts may want to look elsewhere as the equity is unfavorably ranked for the year ahead.

*Nira Maharaj*  
 July 27, 2012

(A) Qtrs. are 12, 12, 12 and 16 wks. (B) Dil. egs. after '96. Excl. nonrecr. gains (losses): '96, (45c); '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 August. (C) Divs. hist. paid Jan., Mar., Jun., Sept. (D) Incl. intang. In '11: \$33.2 bill., \$2.12/sh. (E) In mill. (F) Ref. Restaurant spinoff ('97), sale of maj. of Pepsi Bott. Gr. ('99), and reclass. of selling exp. ('01).  
 Company's Financial Strength A++  
 Stock's Price Stability 100  
 Price Growth Persistence 55  
 Earnings Predictability 95