

# PepsiCo, Inc.

**US CORE HOLDING\***

Recommended since 18.12.15

09.01.2025



|                               |   |                              |
|-------------------------------|---|------------------------------|
| <b>Country</b> US             | <b>Market capitalization (bn)</b> USD 201,1 | <b>Perf. since reco. (%)</b> |
| <b>Sector</b> Food & Beverage | <b>Free float</b> 99,7%                     | PepsiCo, Inc. 49,7           |
| <b>Factset</b> PEP-US         | <b>Closing price</b> USD 146,54             | Sector 47,1                  |
| <b>ISIN</b> US7134481081      | <b>ESG Risk score*</b> 20,8 Medium risk     |                              |

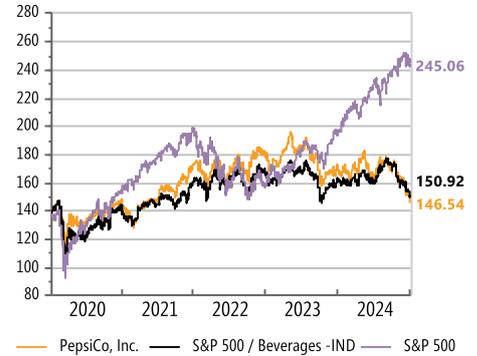
\*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## Profile

PepsiCo is a US multinational specialising in beverages (46% of revenues) and snack products (54%). The 2nd largest food company in the world and 1st in the USA in terms of turnover (\$86.4bn in 2022), the Group generates 62% of its revenues in North America, 16% in Europe and 22% in developing countries. PepsiCo is based in New York State and employs 267,000 people worldwide.

## Market - competition - positions - barriers to entry

The Group has a portfolio of brands, 23 of which generate sales in excess of \$1bn each, the most well-known being: Pepsi, Pepsi Max, Diet Pepsi, 7UP, Diet 7UP, Mountain Dew, Doritos, Frito-Lay, Aunt Jemima, Cheetos, Quaker, Manzanita Sol, Gatorade, Aquafina, Lipton, Natura, Tropicana, Crush. Its eternal rival is the Coca-Cola company alongside Mondelez, Nestlé, Unilever, Dr Pepper Snapples, General Mills.



Source: Factset

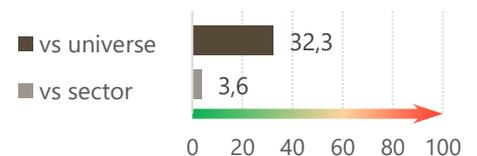
## Investment case

- ⊕ PepsiCo boasts a diversified and resilient portfolio, combining flagship snack brands like Lay's and Doritos with iconic beverages such as Pepsi and Gatorade. This diversification allows the company to capture consumption trends in defensive categories while aligning with growing demand for healthy, functional, and sustainable products. Its global geographic footprint further enhances its ability to perform across both mature economies and emerging markets.
- ⊕ Innovation remains at the core of PepsiCo's strategy, with a particular focus on premiumization and the development of new categories such as plant-based protein snacks and energy drinks. Initiatives around low-sugar products and new flavor launches are driving demand, while strategic acquisitions, such as Rockstar, bolster its position in high-growth markets.
- ⊕ Although volume growth has decelerated over recent quarters (-2% y/y on volumes in 2024 with a recovery to c. +1.5% y/y in 2025e), management is actively addressing this trend through multiple levers. Targeted marketing campaigns, enhanced promotional efforts, and product innovations are being implemented to stimulate sales. These measures help PepsiCo maintain its competitive edge while adapting to a more demanding consumer environment.
- ⊕ PepsiCo continues to improve its margins through an ambitious restructuring plan generating \$1 billion in annual savings through 2026. Lower input costs in 2024 also contribute to mitigating inflationary pressures. Simultaneously, the "Pep+" strategy for sustainable growth enables the group to invest in ESG initiatives, further enhancing its appeal to both consumers and investors.

## ESG - risks and key points

- ⊕ Controversies (consumption and regulation of sugary products -> obesity and diabetes / use of palm oil and sugar in production -> human rights violations / use of water -> ingredients and manufacturing) are mitigated by programmes and above-average management of issues.

## ESG risk vs. universe & sector (percentile)\*



Source: Sustainalytics

## Valuation\*\* in USD

|                      |                               |
|----------------------|-------------------------------|
| <b>Current price</b> | <b>Value Bordier Scenario</b> |
| 147                  | 180                           |

Our scenario assumes US 10-year yields of 3.5%, with higher sales in 2020 despite the pandemic, which sharply accelerated in 2021 and 2022, targeting 4% growth in 2026, and an EBIT margin to 16% over this time frame, to normalize at this level over the long term.

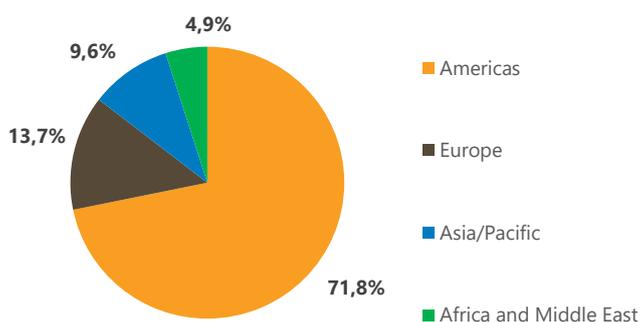
\*\*\*) The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

## "Bordier Core Holding" indicators

| In millions of USD  | 2022   | 2023   | 2024e  | 2025e  | 2026e  |
|---------------------|--------|--------|--------|--------|--------|
| Sales revenue       | 86 392 | 91 471 | 92 386 | 95 157 | 98 250 |
| Sales growth %      | 8,7%   | 5,9%   | 1,0%   | 3,0%   | 3,3%   |
| o/w organic         | 12,0%  | 6,0%   | 1,0%   | 3,0%   | 3,3%   |
| EBITDA              | 15 088 | 16 823 | 18 068 | 19 152 | 20 301 |
| % of sales          | 17,5%  | 18,4%  | 19,6%  | 20,1%  | 20,7%  |
| EBIT                | 12 325 | 13 875 | 14 718 | 15 702 | 16 751 |
| % of sales          | 14,3%  | 15,2%  | 15,9%  | 16,5%  | 17,0%  |
| Adjusted EPS        | 6,79   | 7,93   | 8,16   | 8,78   | 9,39   |
| Adjusted EPS growth | 23,8%  | 16,7%  | 2,9%   | 7,7%   | 0,0%   |
| Capex/Sales         | 5,7%   | 5,8%   | 5,1%   | 5,0%   | 4,9%   |
| Free cash-flow      | 4 967  | 8 122  | 9 809  | 10 729 | 11 666 |
| FCF/Sales           | 5,7%   | 8,9%   | 10,6%  | 11,3%  | 11,9%  |
| Dividend yield      | 3,1%   | 3,5%   | 3,6%   | 3,8%   | 4,1%   |
| ROCE - WACC         | 14,5%  | 16,1%  | 16,8%  | 17,7%  | 18,6%  |
| ROE (%)             | 54,9%  | 59,2%  | 48,8%  | 43,6%  | 39,3%  |
| Net debt/Ebitda     | 226,1% | 204,4% | 173,1% | 145,7% | 118,4% |
| Gearing             | 197,5% | 184,5% | 134,6% | 99,6%  | 72,4%  |

Source: Factset, Bordier estimates

## Sales breakdown - 12/2023



## Ratios

|                             | PepsiCo, Inc. | S&P 500 Sector | S&P 500 Market |
|-----------------------------|---------------|----------------|----------------|
| PE (x)***                   | 2023          | Beverages 22,2 | S&P 500 23,5   |
|                             | 2024e         | 18,0           | 24,9           |
|                             | 2025e         | 16,7           | 21,7           |
| P/B (x)***                  | 2022          | 6,5            | 4,8            |
|                             | 2023e         | 8,7            | 5,1            |
|                             | 2024e         | 7,2            | 4,6            |
| Beta (2Y, daily) vs market: |               |                | 0,55           |

\*\*\*) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

## Governance and ownership structure

Since 2018 Ramon Laguarta CEO.

## Key shareholders (if any):

Vanguard 8.4%, Blackrock 5%, State Street 4.6%.

## Agenda

05/03/2025: Q4 2024 results.

## Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

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## Glossary

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition &amp; b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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