

# ModernGraham Valuation

Company Name:

PepsiCo, Inc.

Company Ticker PEP

Date of Analysis

7/13/2016



## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$157,514,797,239	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.40	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	18.96%	Fail
6. Moderate PEmg Ratio	PEmg < 20	26.44	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	13.03	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.40	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	4.16	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$4.14
MG Growth Estimate	1.02%
<b>MG Value</b>	<b>\$43.65</b>
MG Value based on 3% Growth	\$60.08
MG Value based on 0% Growth	\$35.22
Market Implied Growth Rate	8.97%

### MG Opinion

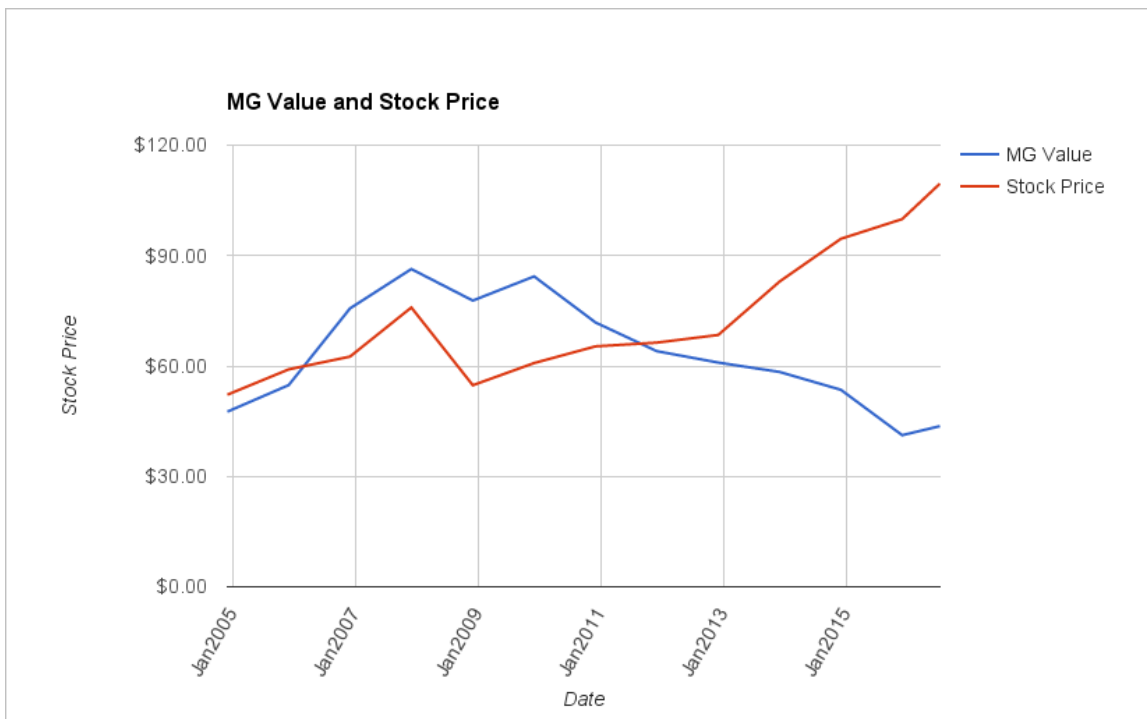
Current Price	\$109.57
% of Intrinsic Value	250.99%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C-</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$23.75
Graham Number	\$29.02
PEmg	26.44
Current Ratio	1.40
PB Ratio	13.03
Current Dividend	\$2.86
Dividend Yield	2.61%
Number of Consecutive Years of Dividend Growth	20

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[Google Finance](#) [MSN Money](#)  
[Yahoo Finance](#) [Seeking Alpha](#)  
[GuruFocus](#) [SEC Filings](#)

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$4.42	Next Fiscal Year Estimate	\$4.14
Dec2015	\$3.67	Dec2015	\$4.02
Dec2014	\$4.27	Dec2014	\$4.16
Dec2013	\$4.32	Dec2013	\$4.06
Dec2012	\$3.92	Dec2012	\$3.88
Dec2011	\$4.03	Dec2011	\$3.80
Dec2010	\$3.91	Dec2010	\$3.63
Dec2009	\$3.77	Dec2009	\$3.40
Dec2008	\$3.21	Dec2008	\$3.13
Dec2007	\$3.41	Dec2007	\$2.97
Dec2006	\$3.34	Dec2006	\$2.64
Dec2005	\$2.39	Dec2005	\$2.20
Dec2004	\$2.44	Dec2004	\$2.02
Dec2003	\$2.05	Dec2003	\$1.76
Dec2002	\$1.85	Dec2002	\$1.57
Dec2001	\$1.47	Dec2001	\$1.42
Dec2000	\$1.48	Dec2000	\$1.35
Dec1999	\$1.37	<b>Balance Sheet Information 6/1/2016</b>	
Dec1998	\$1.31	Total Current Assets	\$25,878,000,000
Dec1997	\$1.36	Total Current Liabilities	\$18,459,000,000
Dec1996	\$0.72	Long-Term Debt	\$30,847,000,000
		Total Assets	\$72,711,000,000
		Intangible Assets	\$27,745,000,000
		Total Liabilities	\$60,463,000,000
		Shares Outstanding (Diluted Average)	1,456,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

### Recommended Reading:

**Other ModernGraham posts about the company**

- [58 Companies in the Spotlight This Week – 1/31/15](#)
- [5 Speculative and Overvalued Companies to Avoid – January 2015](#)
- [Pepsico Inc. Annual Valuation – 2015 \\$PEP](#)
- [14 Companies in the Spotlight This Week – 1/25/14](#)
- [Pepsico Inc. \(PEP\) Annual Valuation](#)

**Other ModernGraham posts about related companies**

- [Mead Johnson Nutrition Valuation – June 2016 \\$MJN](#)
- [B&G Foods Inc Valuation – March 2016 \\$BGS](#)
- [Hormel Foods Corp Stock Valuation – February 2016 \\$HRL](#)
- [J.M. Smucker Co Valuation – February 2016 \\$\\$JM](#)
- [Archer-Daniels Midland Co Valuation – February 2016 \\$ADM](#)
- [Keurig Green Mountain Inc Valuation – January 2016 Update \\$GMCR](#)
- [Hormel Foods Corp Stock Valuation – February 2016 \\$HRL](#)
- [J.M. Smucker Co Valuation – February 2016 \\$\\$JM](#)
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