

ModernGraham Valuation

Company Name:

PepsiCo, Inc.

Company Ticker PEP

Date of Analysis

3/28/2018



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	\$154,975,046,257	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.51	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	14.43%	Fail
5. Earnings Growth	PEmg < 20	24.62	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	14.16	Fail
7. Moderate Price to Assets			

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	1.51	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	3.21	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
	Score		

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$4.43
MG Growth Estimate	1.00%
MG Value	\$46.54
MG Value based on 3% Growth	\$64.29
MG Value based on 0% Growth	\$37.69
Market Implied Growth Rate	8.06%

MG Opinion

Current Price	\$109.18
% of Intrinsic Value	234.59%
Opinion	Overvalued
MG Grade	B

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$26.35
Graham Number	\$31.47
PEmg	24.62
Current Ratio	1.51
PB Ratio	14.16
Current Dividend	\$3.17
Dividend Yield	2.90%
Number of Consecutive Years of Dividend Growth	20

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Dec2017	\$5.66	Dec2017	\$4.43
Dec2016	\$3.38	Dec2016	\$3.88
Dec2015	\$4.36	Dec2015	\$4.12
Dec2014	\$3.67	Dec2014	\$4.02
Dec2013	\$4.27	Dec2013	\$4.16
Dec2012	\$4.32	Dec2012	\$4.06
Dec2011	\$3.92	Dec2011	\$3.88
Dec2010	\$4.03	Dec2010	\$3.80
Dec2009	\$3.91	Dec2009	\$3.63
Dec2008	\$3.77	Dec2008	\$3.40
Dec2007	\$3.21	Dec2007	\$3.13
Dec2006	\$3.41	Dec2006	\$2.97
Dec2005	\$3.34	Dec2005	\$2.62
Dec2004	\$2.39	Dec2004	\$2.17
Dec2003	\$2.44	Dec2003	\$1.97
Dec2002	\$2.05	Dec2002	\$1.68
Dec2001	\$1.68	Dec2002	\$1.47
Dec2000	\$1.33	Balance Sheet Information	
Dec1999	\$1.42	12/1/2017	
Dec1998	\$1.37	Total Current Assets	\$31,027,000,000
	\$1.31	Total Current Liabilities	\$20,502,000,000
		Long-Term Debt	\$33,796,000,000
		Total Assets	\$79,804,000,000
		Intangible Assets	\$28,582,000,000
		Total Liabilities	\$68,759,000,000
		Shares Outstanding (Diluted Average)	1,432,000,000





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

- [The Coca-Cola Co Valuation – February 2018 \\$KO](#)
- [Campbell Soup Company Valuation – September 2017 \\$CPB](#)
- [Post Holdings Inc Valuation – Initial Coverage \\$POST](#)
- [Dean Foods Co Valuation – Initial Coverage \\$DF](#)
- [George Weston Limited Valuation – Initial Coverage \\$TSE:WN](#)
- [Tyson Foods Inc Valuation – July 2017 \\$TSN](#)
- [Darling Ingredients Inc Valuation – Initial Coverage \\$DAR](#)
- [Mondelez International Inc Valuation – March 2017 \\$MDLZ](#)
- [Calavo Growers Inc Valuation – Initial Coverage \\$CVGW](#)
- [Hormel Foods Corp Valuation – March 2017 \\$HRL](#)