



PepsiCo, Inc (PEP)

Updated February 7th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$145	5 Year CAGR Estimate:	16.4%	Market Cap:	\$198 B
Fair Value Price:	\$206	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	03/07/25
% Fair Value:	70%	5 Year Valuation Multiple Estimate:	7.3%	Dividend Payment Date:	03/31/25
Dividend Yield:	3.9%	5 Year Price Target	\$276	Years Of Dividend Growth:	53
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

PepsiCo is a global food and beverage company that generates \$89 billion in annual sales. The company's products include Pepsi, Mountain Dew, Frito-Lay chips, Gatorade, Tropicana orange juice and Quaker foods. The company has more than 20 \$1 billion brands in its portfolio. PepsiCo was founded in 1898 and currently employs 319,000 people around the world.

On February 4th, 2025, PepsiCo announced that it would increase its annualized dividend by 5.0% to \$5.69 starting with the payment that was made in June 2025, extending the company's dividend growth streak to 53 consecutive years.

That same day, PepsiCo announced fourth quarter and full year results for the period ending December 31st, 2025. For the quarter, revenue decreased 0.3% to \$27.8 billion, which was \$110 million below estimates. Adjusted earnings-per-share of \$1.96 compared favorably to \$1.78 the prior year and was \$0.02 better than expected. For the year, revenue grew 0.4% to \$91.9 billion while adjusted earnings-per-share of \$8.16 compared to \$7.62 in 2023. Currency exchange reduced revenue by 2% and earnings-per-share by 4%.

Organic sales grew 2.1% for the fourth quarter and 20% for the year. For the quarter, volumes for both food and beverage were up 1%. PepsiCo Beverages North America's revenue was flat for the period, but volume fell 3%. Revenue for Frito-Lay North America declined 2% as volume was also down 3%. Quaker Foods North America was lower by 2%, driven almost entirely by weaker volumes. As with prior quarters, this mostly due to product recalls. Revenues in Europe increased 7%, with food volume up 1% and beverages higher by 3%. Latin America grew 4%, Africa/Middle East/South Asia was up 14%, and the Asia Pacific/Australia/New Zealand/China region increased 1%.

PepsiCo provided guidance for 2025, with the company expecting mid-single-digit adjusted earnings-per-share growth. Organic sales are projected to be low single-digits. Applying company guidance to last year's result, we believe that PepsiCo will earn \$8.59 in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.66	\$4.85	\$5.23	\$5.65	\$5.53	\$5.52	\$6.26	\$6.42	\$7.62	\$8.16	\$8.59	\$11.50
DPS	\$2.79	\$2.96	\$3.12	\$3.47	\$3.82	\$4.02	\$4.25	\$4.53	\$4.83	\$5.24	\$5.69	\$7.61
Shares¹	1448	1428	1420	1410	1400	1388	1390	1385	1381	1377	1377	1365

PepsiCo grew earnings at a rate of 6.4% per year from 2015 to 2024, but this growth rate expands to 9.2% when looking at just the last five years. We reaffirm our expected earnings growth rate of 6% as this better reflects the long-term growth trends for the company as well its portfolio of billion dollar brands. PepsiCo's growth over this time period will accrue from organic sales growth and share repurchases.

PepsiCo has raised its dividend for more than 50 consecutive years, making the company a member of the Dividend Kings.

¹ Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.7	21.4	21.6	19.1	26.3	28.8	31.6	32.9	26.9	18.6	16.9	24.0
Avg. Yld.	2.9%	2.9%	2.8%	3.1%	2.9%	2.9%	2.4%	2.5%	2.8%	3.4%	3.9%	2.8%

PepsiCo's stock has declined \$25, or 14.7%, since our October 8th, 2024 report. Based off earnings guidance for 2025, the stock has a P/E of 20.7. The stock has an average P/E ratio of 24.8 over the last decade and 27.8 over the last five years. We are reaffirming our 2030 target P/E of 24 to better match the stock's average valuation over the medium-term. Reaching our target by then would add 7.3% to annual returns over this period. Shares offer a 3.9% yield currently, which is well ahead of the stock's long-term average yield of 2.9%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

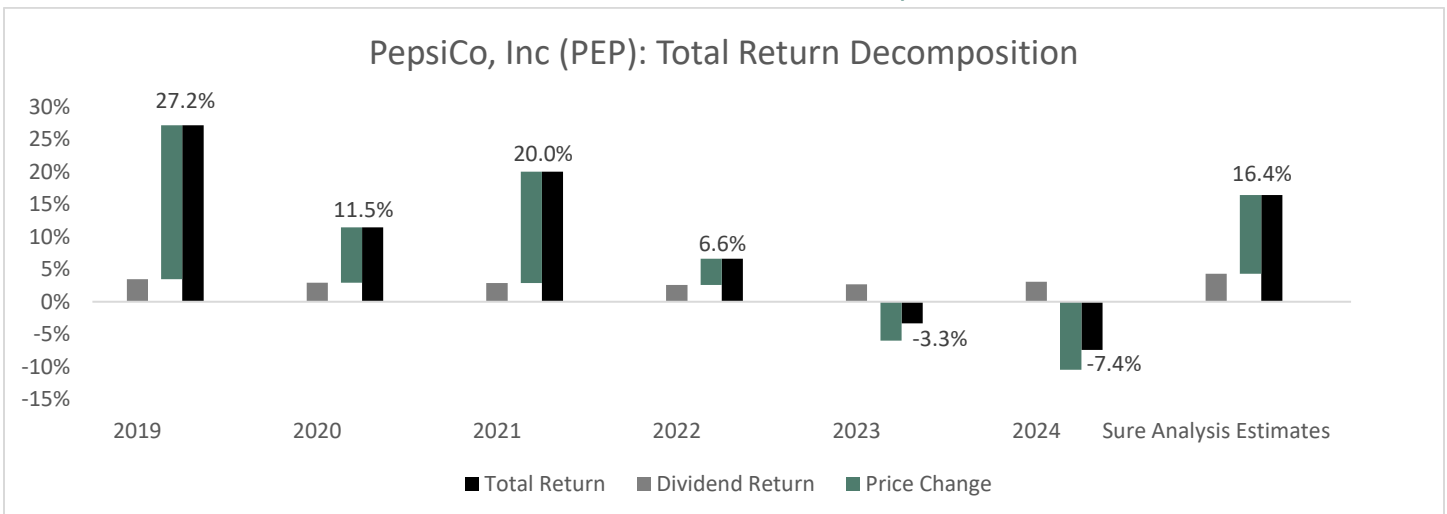
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	60%	61%	60%	61%	69%	73%	68%	71%	63%	64%	66%	66%

PepsiCo is a relatively recession-proof company. Earnings grew during the last recession and it offers a generous dividend yield. The company is expecting to return \$8.6 billion in cash to shareholders in the form of dividends and share repurchases in 2025. PepsiCo has several key competitive advantages that set it apart from the competition. The company is one of the largest in its sector, which gives it pricing power with vendors. While known for their carbonated beverages, Pepsi's food and snacks make up slightly more than half of sales. PepsiCo has also adjusted to changing consumer habits. The company's line of "Better for You" offerings are designed to meet consumers' desire for healthier food and drink options. Products with less than 70 calories from added sugar make up about half of sales.

Final Thoughts & Recommendation

Following fourth quarter earnings results, PepsiCo is projected to produce an annual return of 16.4% through 2030, up from our prior estimate of 11.8%. Our projected return stems from a 6.0% earnings growth rate, a starting yield of 3.9%, and a mid-single-digit contribution from multiple expansion. PepsiCo's results in North America were weak, but international markets performed well. The company continues to demonstrate pricing power thanks to its portfolio of products. We have raised our 2030 price target \$12 to \$276 due to EPS estimates for the year. We also note the higher than usual yield for the stock as well as its noteworthy dividend growth streak. PepsiCo continues to receive a buy recommendation due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	63,056	62,799	63,525	64,661	67,161	70,372	79,474	86,392	91,471	91,854
Gross Profit	34,325	34,577	34,729	35,280	37,029	38,575	42,399	45,816	49,590	50,110
Gross Margin	54.4%	55.1%	54.7%	54.6%	55.1%	54.8%	53.3%	53.0%	54.2%	54.6%
SG&A Exp.	24,613	24,773	24,453	25,170	26,738	28,453	31,237	34,459	36,677	37,190
D&A Exp.	2,416	2,368	2,369	2,399	2,844	3,026	3,215	3,280	3,518	3,815
Operating Profit	9,712	9,804	10,276	10,110	10,291	10,122	11,162	11,357	12,913	12,920
Op. Margin	15.4%	15.6%	16.2%	15.6%	15.3%	14.4%	14.0%	13.1%	14.1%	14.1%
Net Profit	5,452	6,329	4,857	12,515	7,314	7,120	7,618	8,910	9,074	9,578
Net Margin	8.6%	10.1%	7.6%	19.4%	10.9%	10.1%	9.6%	10.3%	9.9%	10.4%
Free Cash Flow	8,106	7,623	7,061	6,133	5,417	6,373	6,991	5,604	7,924	7,189
Income Tax	1,941	2,174	4,694	-3,370	1,959	1,894	2,142	1,727	2,262	2,320

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	69,667	73,490	79,804	77,648	78,547	92,918	92,377	92,187	100,495	99,467
Cash & Equivalents	9,096	9,158	10,610	8,721	5,509	8,185	5,596	4,954	9,711	8,505
Acc. Receivable	5,497	5,709	5,956	6,079	6,447	6,892	7,172	8,192	8,675	8,487
Inventories	2,720	2,723	2,947	3,128	3,338	4,172	4,347	5,222	5,334	5,306
Goodwill & Int.	27,258	27,863	28,582	30,633	31,544	38,072	37,046	33,788	32,657	32,335
Total Liabilities	57,637	62,291	68,823	63,046	63,679	79,366	76,226	74,914	81,858	81,296
Accounts Payable	5,546	6,158	6,727	7,213	8,013	8,853	9,834	10,732	11,635	10,997
Long-Term Debt	33,284	36,945	39,281	32,321	32,068	44,150	40,334	39,071	44,105	44,306
Total Equity	11,882	11,054	10,848	14,518	14,786	13,454	16,043	17,149	18,503	18,041
LTD/E Ratio	2.79	3.33	3.61	2.23	2.17	3.28	2.51	2.28	2.38	2.46

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.8%	8.8%	6.3%	15.9%	9.4%	8.3%	8.2%	9.7%	9.4%	9.6%
Return on Equity	36.9%	54.5%	43.8%	97.8%	49.6%	50.1%	51.3%	53.3%	50.5%	52.0%
ROIC	11.9%	13.5%	9.9%	25.8%	15.6%	13.6%	13.3%	15.8%	15.2%	15.3%
Shares Out.	1448	1428	1420	1410	1400	1388	1390	1385	1381	1377
Revenue/Share	42.46	43.25	44.18	45.38	47.73	50.55	57.22	62.29	66.14	66.66
FCF/Share	5.46	5.25	4.91	4.30	3.85	4.58	5.03	4.04	5.73	5.22

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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