

## VALUATION: PEPSICO

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<b>Team:</b>	Green Day Traders
<b>Team Members:</b>	Ethan Neff, Ed Enyart, Nick Payne, Simen Strand
<b>Date Presented:</b>	11/4/2024
<b>Investment Decision:</b>	Invested ~\$8,300, ~50 Shares

### **INTRODUCTION:**

Since the MSIF portfolio is just getting started, we believe in pitching great long-term value stocks to add stability to the portfolio, so that other riskier growth stocks could be added to the portfolio without significantly increasing risk. Our group chose PepsiCo because of its long-standing resiliency in the market, its low beta, and high dividend growth and yield. We also observed that PepsiCo, like many of its competitors in the industry, are expected to marginally beat 2023's performance, causing many consumer staple stocks to fall, potentially signaling a good time to buy.

### **COMPANY OVERVIEW:**

<b>Ticker:</b>	PEP	<b>Exchange:</b>	NASDAQ
<b>Current Stock Price:</b>	\$165.65	<b>Date Reported:</b>	11/1/2024
<b>Target Stock Price:</b>	<b>\$176.71</b>	<b>Target Date:</b>	11/4/2024

PepsiCo, Inc. engages in the manufacture, marketing, distribution, and sale of various beverages and convenient foods worldwide. The company provides dips, cheese-flavored snacks, and spreads, as well as corn, potato, and tortilla chips; cereals, rice, pasta, mixes and syrups, granola bars, grits, oatmeal, rice cakes, and side dishes; beverage concentrates, fountain syrups, and finished goods; ready-to-drink tea and coffee, and juices; dairy products; and sparkling water makers and related products, and alcoholic beverages. It serves wholesale and other distributors, foodservice customers, grocery stores, drug stores, convenience stores, discount/dollar stores, mass merchandisers, membership stores, hard discounters, e-commerce retailers and authorized independent bottlers, and others.

### **HISTORICAL PERFORMANCE:**

Up until 2020, PepsiCo tracked very closely with the S&P 500, but since then the company has underperformed overall. The last couple of years have been great for the technology sector's stocks, which largely carried the S&P's performance, while consumer staple companies like PepsiCo have only tracked at an average pace. However, PepsiCo has tied very closely to the S&P 500 Consumer Staples Index. The company has historically had a low beta and has been one of the many stock favorites for investors looking to add stability to their portfolios. The company has a very large portfolio of food and beverage brands, which helps mitigate the effects of cyclical and seasonality. Lastly, the company has consistently increased its dividend since its IPO, and has a favorable dividend yield, adding additional value to investors thinking of buying PepsiCo.

### **VALUATION SUMMARY:**

The food and beverage industry is a large multi-trillion dollar industry with consistent demand, and PepsiCo is highly diversified and well positioned to capture both sides of the industry. We wanted our assumptions to be conservative, so we chose a perpetual revenue growth rate of 3%, compared PepsiCo to 10 of its peer companies, and performed 5 valuation methods to help eliminate extreme values when calculating the weighted average price when determining our estimated stock price.