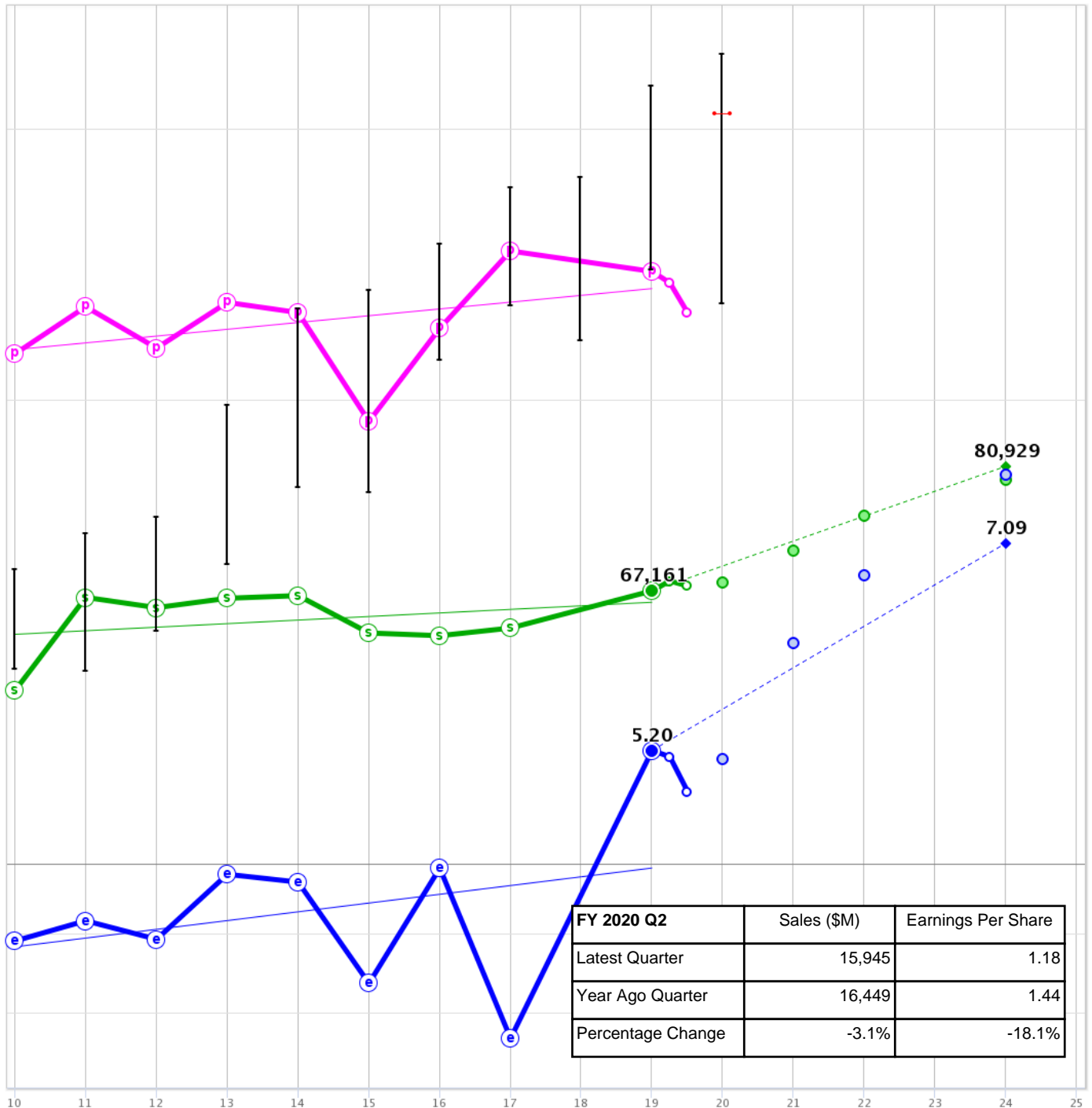


Company	PepsiCo			Date	09/10/20		
Prepared by	K EMMONS			Data taken from	BI Stock Data		
Where traded	NAS			Industry	Beverages - Non-Alcoholic		
Capitalization --- Outstanding Amounts	Reference						
Preferred (\$M)	0.0		% Insiders	%		Institution	
Common (M Shares)	1,393.0		0.4		50.9		
Debt (\$M)	44,978.0		% to Tot Cap	78.3		% Pot Dil	0.4

## Stock Selection Guide

Symbol: PEP

### 1 VISUAL ANALYSIS of Sales, Earnings, and Price



- |                                   |      |  |      |
|-----------------------------------|------|--|------|
| (1) Historical Sales Growth       | 0.5% | (3) Historical Earnings Per Share Growth       | 1.3% |
| (2) Estimated Future Sales Growth | 3.8% | (4) Estimated Future Earnings Per Share Growth | 6.4% |

## 2 EVALUATING Management

PepsiCo

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Last 5 Year Avg.
Pre-tax Profit on Sales	14.2%	13.3%	12.7%	13.4%	13.1%	11.8%	13.6%	15.1%	14.2%	13.9%	13.7%
% Earned on Equity	29.3%	26.8%	27.2%	29.7%	27.6%	39.6%	49.6%	36.2%	120.3%	51.2%	59.4%
% Debt To Capital	54.1%	56.5%	56.0%	55.0%	62.4%	73.6%	76.9%	78.3%	69.0%	68.7%	73.3%

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

**CLOSING PRICE** 134.76 (09/10/20)

**HIGH THIS YEAR** 147.20

**LOW THIS YEAR** 101.42

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2015	103.4	76.5	3.67	28.2	20.8	2.76	75.3	3.6
2016	110.9	93.2	4.36	25.4	21.4	2.96	67.9	3.2
2017	120.6	101.1	3.38	35.7	29.9	3.17	93.7	3.1
2018	122.5	95.9	8.78	14.0	10.9	3.59	40.9	3.7
2019	140.5	106.7	5.20	27.0	20.5	3.79	72.9	3.6
AVERAGE		94.7		29.1	23.2		77.5	
CURRENT/TTM			4.89			4.09	83.6	
AVERAGE PRICE EARNINGS RATIO: 26.1				CURRENT PRICE EARNINGS RATIO: 27.6				

## 4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 26.0 X Estimate High Earnings/Share 7.09 = Forecasted High Price \$ 184.4

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 20.7 X Estimate Low Earnings/Share 5.20 = Forecasted Low Price \$ 107.6

(b) Avg. Low Price of Last 5 Years 94.7

(c) Recent Market Low Price 95.9

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{4.09}{3.74\%} = 109.4$

Selected Forecasted Low Price \$ 109.4

### C ZONING using 25%-50%-25%

Forecasted High Price 184.4 Minus Forecasted Low Price 109.4 = 75.0 Range. 25% of Range 18.7

Buy Zone 109.4 to 128.1

Hold Zone 128.1 to 165.6

Sell Zone 165.6 to 184.4

Present Market Price of 134.76 is in the **HOLD** Zone

### D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{184.4 - 134.76}{134.76 - 109.4} = \frac{49.61}{25.36} = 2.0$  To 1

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{184.4 - 134.76}{134.76} = 1.3681$  X 100 = 136.81 - 100 = 36.8 % Appreciation

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

**A**  $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{3.79}{134.76} = 0.0304 = 3.0\%$  Current Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{70.1\%}{26.00} = 2.7\%$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{70.1\%}{23.35} = 3.0\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 6.5 %  
Average Yield 2.7 %  
Annualized Rate of Return 9.2 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 4.2 %  
Average Yield 3.0 %  
Annualized Rate of Return 7.2 %