

PepsiCo Inc

S&P Recommendation BUY ★★★★★

Price
\$65.57 (as of Sep 3, 2010)

12-Mo. Target Price
\$69.00

Investment Style
Large-Cap Growth

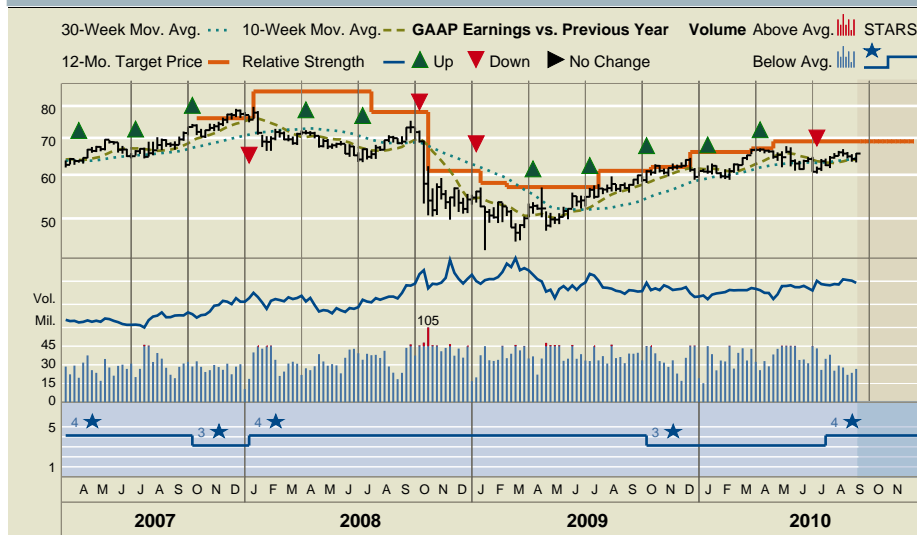
GICS Sector Consumer Staples
Sub-Industry Soft Drinks

Summary This company is a major international producer of branded beverage and snack food products.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$67.61–57.33	S&P Oper. EPS 2010E	4.16	Market Capitalization(B)	\$104.31B	Beta	0.54
Trailing 12-Month EPS	\$3.86	S&P Oper. EPS 2011E	4.59	Yield (%)	2.93	S&P 3-Yr. Proj. EPS CAGR(%)	8
Trailing 12-Month P/E	17.0	P/E on S&P Oper. EPS 2010E	15.8	Dividend Rate/Share	\$1.92	S&P Credit Rating	A
\$10K Invested 5 Yrs Ago	\$13,638	Common Shares Outstg. (M)	1,590.9	Institutional Ownership (%)	66		

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by **Esther Y. Kwon, CFA** on July 20, 2010, when the stock traded at **\$64.48**.

Highlights

- In 2010, we see net sales advancing more than 30% from 2009's \$43.2 billion, largely on the acquisitions of anchor bottlers Pepsi Bottling Co. and PepsiAmericas, completed at the end of February 2010. We see beverage volumes in the Americas continuing to struggle but expect better performance from Gatorade as the brand is refreshed. We also think PEP will improve sales in the convenience and gas and food service channels. In contrast to 2009, we expect pricing actions to be restrained.
- We expect operating margins to improve, particularly in snacks, on commodity cost deflation, even with incremental investments in infrastructure and product and packaging innovation. We project that acquisition synergies will boost income by about \$150 million.
- On a higher tax rate of about 27%, compared to 2009's effective tax rate of 25.6%, and higher interest expense, we estimate 2010 operating EPS of \$4.16, up from 2009's \$3.71. As expected, in March, PEP's directors reinstated the company's share repurchase program upon the close of the bottler acquisitions, and PEP said it plans to repurchase about \$4.4 billion of stock in 2010.

Investment Rationale/Risk

- We view favorably PEP's international growth opportunities and healthy cash flow growth. Although we remain cautious about sluggish Americas beverage trends, we think new product introductions and new marketing initiatives in 2010 will drive improvement, and we see exposure to stronger international markets as a potential offset. In addition to the company's leading market positions, we view PEP's product innovation strategy as trend-setting for the industry. Its focus on health and wellness should continue to drive the top line, and we look for strong returns to shareholders in the form of dividends and share repurchases.
- Risks to our recommendation and target price include unfavorable weather conditions in the company's markets and increased competitive activity. As PEP boosts its exposure to foreign markets, political and currency risks also increase.
- Our relative valuation model, derived from an analysis of peer and historical P/E multiples, indicates a value of \$69, which is our 12-month target price. This reflects a multiple of projected 2011 EPS below the recent historical range of 19X to 27X.

Qualitative Risk Assessment

LOW	MEDIUM	HIGH
-----	--------	------

Our risk assessment reflects the relatively stable nature of the company's end markets, its strong cash flow, leading global market positions, corporate governance practices that we view as favorable versus peers, and an S&P Quality Ranking of A+, reflecting superior long-term earnings and dividend growth.

Quantitative Evaluations

S&P Quality Ranking A+

D	C	B-	B	B+	A-	A	A+
---	---	----	---	----	----	---	----

Relative Strength Rank MODERATE

58

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2010	9,368	14,801	--	--	--
2009	8,263	10,592	11,080	13,297	43,232
2008	8,333	10,945	11,244	12,729	43,251
2007	7,350	9,607	10,171	12,346	39,474
2006	7,205	8,599	8,950	10,383	35,137
2005	6,585	7,697	8,184	10,096	32,562

Earnings Per Share (\$)	1Q	2Q	3Q	4Q	Year
2010	0.89	0.98	E1.21	E1.09	E4.16
2009	0.72	1.06	1.09	0.91	3.77
2008	0.70	1.05	0.99	0.46	3.21
2007	0.65	0.94	1.06	0.77	3.41
2006	0.60	0.80	0.88	1.06	3.34
2005	0.53	0.70	0.51	0.65	2.39

Fiscal year ended Dec. 31. Next earnings report expected: Early October. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.450	11/13	12/02	12/04	01/04/10
0.450	02/09	03/03	03/05	03/31/10
0.480	03/15	06/02	06/04	06/30/10
0.480	07/16	09/01	09/03	09/30/10

Dividends have been paid since 1952. Source: Company reports.

PepsiCo Inc

Business Summary July 20, 2010

CORPORATE OVERVIEW. Originally incorporated in 1919, PepsiCo is a leader in the global snack and beverage industry. The company manufactures, markets and sells a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages, and foods. PepsiCo is organized into three business units with six reportable segments: PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA), and Latin America Foods (LAF); PepsiCo Beverages America (PAB), which includes PepsiCo Beverages North America and all of its Latin American beverage businesses; and PepsiCo International, which includes all of PepsiCo businesses in Europe and Asia, the Middle East and Africa (AMEA).

FLNA (31% of 2009 net revenue, 24.6% of operating profits before corporate overhead) produces the best-selling line of snack foods in the U.S., including Fritos brand corn chips, Lay's and Ruffles potato chips, Doritos and Tostitos tortilla chips, Cheetos cheese-flavored snacks, SunChips multigrain snacks, and Quaker Chewy granola bars. FLNA branded products are sold to independent distributors and retailers. Products are transported from Frito-Lay's manufacturing plants to major distribution centers, principally in company-owned trucks.

QFNA (4.4%, 33.3%) manufactures, markets and sells Cap'n Crunch and Life ready-to-eat cereals, Quaker hot cereals, Rice-A-Roni, Near East and Pasta Roni side dishes, Aunt Jemima mixes and syrups and Quaker grits.

LAF (13%, 15.9%) manufactures, markets and sells snack foods under the brands Gamesa, Doritos, Cheetos, Ruffles, Lay's and Sabritas as well as many Quaker branded products.

PAB (23%, 21.5%) manufactures or uses contract manufacturers, markets and sells beverage concentrates, fountain syrups and finished goods, under the brands Pepsi, Mountain Dew, Gatorade, 7UP (outside the U.S.), Tropicana Pure Premium, Sierra Mist, SoBe Lifewater, Tropicana juice drinks, Amp Energy, Naked juice and Izze. PBNA also manufactures, markets and sells ready-to-drink tea and coffee products through joint ventures with Lipton and Starbucks. In addition, it markets the Aquafina water brand and licenses it to its bottlers.

Europe (16%, 13.9%) manufactures, markets and sells snack brands including Lay's, Walkers, Doritos, Cheetos and Ruffles as well as beverage concentrates, fountain syrups and finished goods under brands including Pepsi, 7UP and Tropicana. In addition, it licenses the Aquafina water brand to some of its bottlers, and manufactures, markets and sells ready-to-drink tea products under the Lipton brand name.

AMEA (13%, 12.8%) manufactures, markets and sells snack brands including Lay's, Kurkure, Chipsy, Doritos, Cheetos, Smith's and Ruffles, along with beverage concentrates, fountain syrups and finished goods under brands including Pepsi, Mirinda, 7UP and Mountain Dew. In addition, it licenses the Aquafina water brand to some of its bottlers, and manufactures, markets and sells ready-to-drink tea products under the Lipton brand name.

CORPORATE STRATEGY. While carbonated soft drinks (CSD) remain the most popular beverage, PEP recognizes that non-CSD drinks are a faster-growing category. To that end PEP plans to continue to innovate in that area, following its success with Lipton teas, Aquafina water, Tropicana juices, SoBe, Gatorade and Propel. In 2006, it added Naked Juice and Izze sparkling juices to its portfolio. Another trend the company is focusing on is health and wellness. PEP has eliminated trans fats from many of its snack foods, and is increasingly introducing "good for you" foods under the Quaker Oats brand.

COMPETITIVE LANDSCAPE. The convenient foods and beverage business is highly competitive and very mature. PEP estimates that it is the second largest manufacturer of branded food and beverages, excluding ingredients and pet products, in the world. However, competition is fierce, with large rivals such as Nestle, Kraft, Unilever, Coca-Cola, Groupe Danone and Cadbury Schweppes all attempting to grow respective "share of stomach."

FINANCIAL TRENDS. In the three years through 2009, PEP increased revenue at a compound annual growth rate (CAGR) of 4.7%. Over the same period, it grew operating income even faster, at a 5.8% CAGR, as it improved its operating margin.

Corporate Information

Office

700 Anderson Hill Road, Purchase, NY 10577.

Telephone

914-253-2000.

Fax

914-253-2070.

Website<http://www.pepsico.com>**Officers****Chrmn, Pres & CEO**

I. Nooyi

SVP & Treas

T. Hilado

COO & CFO

H.F. Johnston

SVP, Secy & General Counsel

L.D. Thompson

SVP, Chief Acctg Officer & Cntrl

P.A. Bridgman

Board Members

S. L. Brown

I. M. Cook

D. Dublon

V. J. Dzau

R. L. Hunt

A. Iburguen

A. C. Martinez

I. Nooyi

S. P. Rockefeller

J. J. Schiro

L. G. Trotter

D. L. Vasella

Domicile

North Carolina

Founded

1916

Employees

203,000

Stockholders

174,200

PepsiCo Inc

Quantitative Evaluations

S&P Fair Value Rank	3-	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation	\$61.20	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that PEP is slightly overvalued by \$4.37 or 6.7%.
-------------------------------	----------------	--

Investability Quotient Percentile	100
	LOWEST = 1 HIGHEST = 100
	PEP scored higher than 100% of all companies for which an S&P Report is available.

Volatility	LOW	AVERAGE	HIGH
-------------------	------------	---------	------

Technical Evaluation	NEUTRAL	Since August, 2010, the technical indicators for PEP have been NEUTRAL.
-----------------------------	----------------	---

Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
-------------------------	--------------------	---------	-----------

Expanded Ratio Analysis

	2009	2008	2007	2006
Price/Sales	2.22	2.03	3.19	3.00
Price/EBITDA	9.99	9.79	14.64	13.45
Price/Pretax Income	11.87	12.50	16.49	15.10
P/E Ratio	16.13	17.06	22.24	18.70
Avg. Diluted Shares Outstg (M)	1,577.0	1,602.0	1,658.0	1,687.0

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-0.04	7.39	8.70	8.34
Net Income	15.64	0.62	7.30	11.29

Ratio Analysis (Annual Avg.)

	2009	2008	2007	2006
Net Margin (%)	13.75	13.33	13.71	13.24
% LT Debt to Capitalization	29.79	29.22	22.87	19.66
Return on Equity (%)	40.85	36.76	35.58	33.71

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Tangible Book Value	4.95	3.36	6.80	1.93	2.17	1.96	3.82	2.37	1.90	1.91
Cash Flow	4.73	4.14	4.27	4.30	3.25	2.45	2.75	2.47	2.07	2.13
Earnings	3.77	3.21	3.41	3.34	2.39	2.41	2.05	1.85	1.47	1.48
S&P Core Earnings	3.77	2.99	3.38	3.30	2.37	2.44	2.03	1.54	1.20	NA
Dividends	1.77	1.65	1.43	1.16	1.01	0.85	0.63	0.60	0.58	0.56
Payout Ratio	47%	51%	42%	35%	42%	35%	31%	32%	39%	38%
Prices:High	64.48	79.79	79.00	65.99	60.34	55.71	48.88	53.50	50.46	49.94
Prices:Low	43.78	49.74	61.89	56.00	51.34	45.30	36.24	34.00	40.25	29.69
P/E Ratio:High	17	25	23	20	25	23	24	29	34	34
P/E Ratio:Low	12	15	18	17	21	19	18	18	27	20

Income Statement Analysis (Million \$)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenue	43,232	43,251	39,474	35,137	32,562	29,261	26,971	25,112	26,935	20,438
Operating Income	9,596	8,964	8,596	7,845	7,230	6,673	6,208	6,066	5,490	4,185
Depreciation	1,635	1,486	1,426	1,406	1,308	1,264	1,221	1,112	1,082	960
Interest Expense	397	329	224	239	256	167	163	178	219	221
Pretax Income	8,079	7,021	7,631	6,989	6,382	5,546	4,992	4,868	4,029	3,210
Effective Tax Rate	26.0%	26.8%	25.8%	19.3%	36.1%	24.7%	28.5%	31.9%	33.9%	32.0%
Net Income	5,946	5,142	5,658	5,642	4,078	4,174	3,568	3,313	2,662	2,183
S&P Core Earnings	5,945	4,781	5,602	5,565	4,028	4,191	3,543	2,749	2,164	NA

Balance Sheet & Other Financial Data (Million \$)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Cash	4,135	2,277	910	1,651	1,716	1,280	820	1,638	683	864
Current Assets	12,571	10,806	10,151	9,130	10,454	8,639	6,930	6,413	5,853	4,604
Total Assets	39,848	35,994	34,628	29,930	31,727	27,987	25,327	23,474	21,695	18,339
Current Liabilities	8,756	8,787	7,753	6,860	9,406	6,752	6,415	6,052	4,998	3,935
Long Term Debt	7,400	7,858	4,203	2,550	2,313	2,397	1,702	2,187	2,651	2,346
Common Equity	16,908	12,203	17,325	15,327	14,210	13,572	11,896	9,250	8,648	7,249
Total Capital	24,842	20,190	22,174	18,446	17,998	17,226	14,837	13,196	12,821	10,956
Capital Expenditures	2,128	2,446	2,430	2,068	1,736	1,387	1,345	1,437	1,324	1,067
Cash Flow	7,461	6,626	7,084	7,047	5,384	4,109	4,786	4,421	3,744	3,143
Current Ratio	1.4	1.2	1.3	1.3	1.1	1.3	1.1	1.1	1.2	1.2
% Long Term Debt of Capitalization	29.8	38.9	18.9	13.8	12.9	13.9	11.5	16.6	20.7	21.4
% Net Income of Revenue	13.8	11.9	14.3	16.1	12.5	14.3	13.2	13.2	9.9	10.7
% Return on Assets	15.7	14.6	17.5	18.3	13.7	15.7	14.6	14.7	12.5	12.2
% Return on Equity	40.9	34.8	34.6	38.2	29.4	22.3	33.3	37.0	32.8	30.9

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

PepsiCo Inc

Sub-Industry Outlook

Our fundamental outlook for the soft drinks sub-industry is neutral. For 2010, we think earnings and cash flow for the major concentrate companies will show growth, as most should see benefits from pricing gains, new product contributions and restructuring actions. We look for a return to top-line growth from flat to negative growth in 2009 as volumes stabilize. We expect the sub-industry to perform in line with the broader market over the next 12 months, reflecting steady volume trends as companies increase marketing spending behind core brands, as well as new product introductions.

Results should benefit from higher retail pricing in the U.S., but volume growth for carbonated soft drinks may be restrained by higher pricing, albeit at a lesser rate than in 2009. We think domestic non-alcoholic unit sales volume growth will improve, reflecting increased advertising and promotional spending and new product launches. We expect commodity bottled water sales, however, to continue to be adversely affected by the economic climate as consumers trade down to tap water. For the longer term, we believe volume trends will benefit from increased penetration into non-traditional distribution channels and growing consumer demand for non-alcoholic products (soft drinks, ready-to-drink teas, juices, bottled water and sports drinks), which should continue to raise non-alcoholic beverage per-capita consumption levels.

While we think near-term results will be affected by sluggishness in Europe, we believe long-term prospects remain bright for U.S. beverage companies in foreign markets, where we see significant opportunities for consumption growth in developing and emerging regions.

Our outlook for U.S. bottlers is neutral. We think

bottlers, in the near term, will have difficulties in a slowing North American market as high-margin single-serve unit sales are hurt by a more cautious consumer, but we see margin expansion as 2010 progresses on receding commodity costs. We think longer-term prospects are good, given our view of improving profit margins stemming from productivity enhancements, higher price realizations for products, and favorable product mix trends.

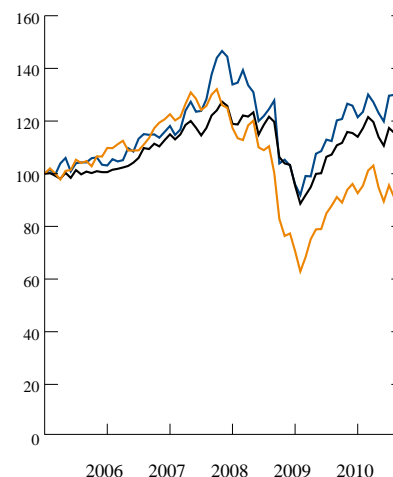
Year to date through August 20, the S&P Soft Drinks Index rose 3.2%, versus a 3.4% decline for the S&P 1500 Index. The sub-industry index rose 22.1% in 2009, versus a 24.3% gain for the S&P 1500.

--Esther Kwon, CFA

Stock Performance

GICS Sector: Consumer Staples
Sub-Industry: Soft Drinks

Based on S&P 1500 Indexes
Month-end Price Performance as of 08/31/10



Sub-Industry Sector S&P 1500

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Soft Drinks Peer Group*: Soft Drinks

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
PepsiCo Inc	PEP	104,318	65.57	67.61/57.33	0.54	2.9	17	56.70	A+	100	13.8	29.8
Coca-Cola Bott Consol	COKE	363	50.90	61.00/43.21	0.52	2.0	14	NA	B+	35	2.6	NA
Coca-Cola Co	KO	132,933	57.56	59.45/49.47	0.61	3.1	18	49.40	A+	100	22.0	16.6
Coca-Cola Enterprises	CCE	14,761	29.37	29.46/18.75	1.33	1.2	18	18.90	B-	96	3.4	83.0
Coca-Cola FEMSA ADR	KOF	2,100	77.50	78.53/44.10	1.29	1.5	19	NA	NR	78	8.3	12.4
Coca-Cola Hellenic ADR	CCH	8,961	24.70	28.61/19.75	1.56	1.3	16	NA	NR	7	6.1	44.7
Cott Corp	COT	568	7.07	9.39/5.41	2.59	Nil	9	8.10	B-	75	5.1	35.7
Dr. Pepper Snapple Group	DPS	9,148	38.30	40.24/25.57	1.08	2.6	18	36.60	NR	NA	10.0	48.1
Embotelladora Andina ADR	AKO.A	1,460	23.05	23.93/14.81	0.70	1.3	18	NA	NR	50	11.2	18.7
Embotelladora Andina B' ADR	AKO.B	583	27.59	28.49/16.53	0.69	0.9	21	NA	NR	49	11.7	18.3
Fomento Economico ADR	FMX	18,385	51.38	52.27/35.16	1.31	1.2	6	NA	NR	22	5.0	21.8
Hansen Natural	HANS	4,168	47.27	47.41/24.01	0.75	Nil	21	41.10	B	35	18.3	NA
Heckmann Corp	HEK	457	4.20	6.48/3.86	0.61	Nil	NM	3.80	NR	47	NA	0.1
Heckmann Corp Unit	HEK.U	316	5.05	13.00/4.00	0.72	Nil	NM	NA	NR	58	NA	NA
Natl Beverage	FIZZ	692	14.99	15.00/9.67	0.58	Nil	21	NA	B+	81	5.5	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

PepsiCo Inc

S&P Analyst Research Notes and other Company News

July 20, 2010

PEP posts \$0.98 vs. \$1.06 Q2 EPS (reported) as higher costs, expenses offset 40% revenue rise. Posts \$1.09 Q2 EPS (core constant currency basis). Street was looking for \$1.08. Affirms core constant currency EPS growth target of 11%-13% for '10. Says it's targeting pre-tax annualized synergies from the bottling acquisitions of approximately \$400M once fully implemented by '12, with one-time costs of approximately \$650M to achieve these synergies.

July 20, 2010

10:11 am ET ... S&P RAISES OPINION ON SHARES OF PEPSICO TO BUY FROM HOLD ON VALUATION (PEP 63.25****): Adjusted Q2 EPS of \$1.09, vs. \$1.03, is in line with our estimate with revenue ahead our view but offset by higher SG&A. We were pleased with dramatically improved volume performance in North America beverages, which improved sequentially from down 6% to down 1% on positive Gatorade volumes and recovering convenience and food service channel. While we see heavier investment spending versus H1 and still see mixed U.S. trends, we believe exposure to stronger international markets could be an offset. We trim our '10 EPS estimate by \$0.01 to \$4.16 but keep our \$69 target price. /E.Kwon-CFA

June 8, 2010

02:05 pm ET ... S&P EQUITY STRATEGY UPGRADES VIEW ON CONSUMER STAPLES SECTOR TO MARKETWEIGHT (PEP 62.07****): S&P's Equity Strategy Group upgrades S&P 500 Consumer Staples sector to marketweight from underweight. With macro economic uncertainty on the rise, we believe this lower-beta defensive sector has potential to post more competitive performance as the relatively inelastic demand for its products helps reduce sector's volatility during challenging times. Despite its more predictable sales and EPS, this sector's valuation of 13.9X 2010 estimated EPS represents only a small premium to broader market's 13X. Lastly, sector sports a 3.1% dividend yield, vs. only 2.1% for S&P 500. /A.Young

June 7, 2010

10:12 am ET ... S&P MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF COCA-COLA CO (KO 51.2****): Pending completion of KO's purchase of Coca-Cola Enterprises' (CCE 26****) North American bottling operations, KO will make a one-time \$715M payment to Dr Pepper Snapple Group (DPS 36****) and replace existing CCE distribution agreements for DPS brands for a 20 year term. Also, KO will offer Dr Pepper and Diet Dr Pepper in its Freestyle fountain dispenser, with DPS investing an estimated \$115M to \$135M in this effort. We view this new agreement favorably, as the amount is less than we had expected. PepsiCo's (PEP 62****) similar deal with DPS resulted in a \$900M payment. /E.Kwon-CFA

June 7, 2010

10:15 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF DR PEPPER SNAPPLE GROUP (DPS 36.17****): Pending completion of KO's purchase of Coca-Cola Enterprises' (CCE 26****) North American bottling operations, KO will make a one-time \$715M payment to Dr Pepper Snapple Group (DPS 36****) to replace existing CCE distribution agreements for DPS brands for 20 year term. Also, KO will offer Dr Pepper and Diet Dr Pepper in its Freestyle fountain dispenser with DPS investing an estimated \$115M to \$135M in the effort. We view new agreement favorably for KO, as the amount is less than we had expected. PepsiCo's (PEP 62****) similar deal with DPS resulted in a \$900M payment. /E.Kwon-CFA

May 21, 2010

PEP announces that it plans to invest \$2.5B in China over the next three years, which is in addition to \$1B investment co. announced in '08, which will be completed this year. Plans to open 10-12 new plants in China to manufacture soft drinks, non-carbonated beverages and snacks and will install additional production lines in existing facilities.

May 12, 2010

On May 5, 2010, in accordance with PepsiCo's Corporate Governance Guidelines, the independent members of PepsiCo's Board of Directors designated James J. Schiro as the Presiding Director of PepsiCo's Board of Directors. Mr. Schiro succeeds Sharon Percy Rockefeller who served as Presiding Director from May 2007 through May 2010.

April 22, 2010

PEP posts \$0.89 vs. \$0.72 Q1 EPS on 13% revenue rise. Street was looking for \$0.75. For '10, sees 11%-13% growth rate for core constant currency EPS.

April 22, 2010

11:48 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF PEPSICO (PEP 64.68****): Adjusted Q1 EPS of \$0.76 vs. \$0.71 misses our estimate by \$0.02 on lower revenue than our view. Volumes in Americas beverages and in Frito Lay North America continue to be lackluster, falling 4% vs. Q4's 5% drop although snacks turned around from flat to post a 1% gain. Margins were boosted by productivity and lower commodity costs. Higher margin convenience channel appears to be improving but now currency is likely to be headwind. On shortfall in Q1, we trim our '10 EPS estimate by \$0.01 to \$4.17 but lift our 12-mo target price by \$2 to \$69 as we roll forward to '11 estimate. /E.Kwon-CFA

March 17, 2010

PepsiCo, Inc. announced that Chief Financial Officer Richard Goodman will be succeeded at the end of March by Hugh Johnston who currently serves as executive vice president of PepsiCo Global Operations. Richard has agreed to stay on with PepsiCo in a key role, one that provides him with some well-deserved personal flexibility. He will be executive vice president responsible for business information systems global procurement, global operations, and post-merger integration. Goodman joined the company in 1992 as vice president of international strategic planning and went on to serve as CFO of former PepsiCo restaurant units KFC International and Taco Bell. Later he was named PepsiCo's general auditor and head of risk management. In 2001 he became CFO of the company's international beverage unit and, in 2003, CFO of its combined international food and beverage business, helping to grow sales outside North America from less than \$8 billion in 2003 to close to \$13 billion in 2006. Hugh Johnston, 48, is a longtime company leader who was named executive vice president of global operations earlier 2010, with additional responsibilities for the post-merger integration of the two bottling companies. Since joining PepsiCo in 1987, Johnston has held M&A, finance and strategy positions in PepsiCo's corporate headquarters as well as finance and general management roles in its North American snack and beverage businesses.

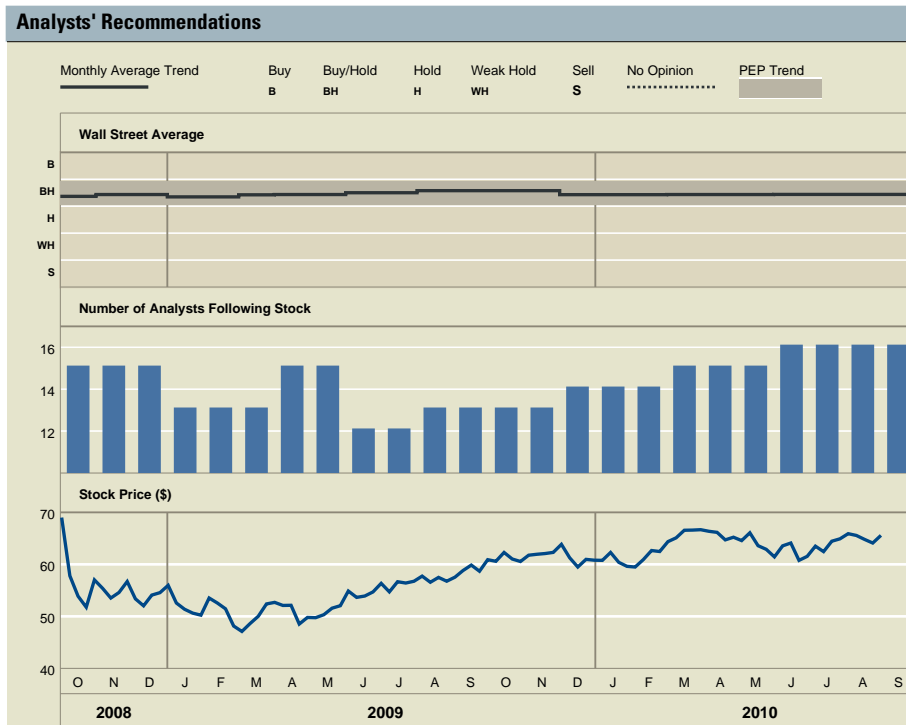
March 15, 2010

PEP raises its \$1.80 annual dividend by 6.7% to \$1.92 per share. PEP board also authorizes repurchase of up to \$15B of PEP stock through June 2013.

March 15, 2010

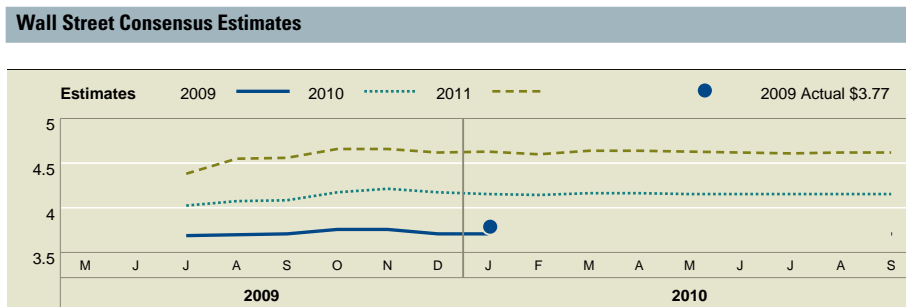
03:28 pm ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF PEPSICO (PEP 66.21****): With completion of bottler acquisitions, we raise our '10 EPS est by \$0.07 to \$4.18. As expected, buyback resumed with deal completion. On 3/22 and 3/23, PEP has scheduled a 2 day analyst meeting, where we look to hear more about opportunities created by transactions. Separately, recent IRI data for the period ending 2/21 showed improved carbonated drink performance, but Gatorade continued to struggle. We raise our target price \$1 to \$67, a premium multiple to S&P 500 staples. Though estimated EPS growth is to accelerate in '10, most of this is on non-operating items. /E.Kwon-CFA

PepsiCo Inc



Of the total 17 companies following PEP, 16 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	3	19	3	3
Buy/Hold	10	62	10	10
Hold	2	12	2	2
Weak Hold	1	6	1	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	16	100	16	16



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2011	4.63	4.74	4.52	15	14.2
2010	4.16	4.24	4.11	15	15.8
2011 vs. 2010	▲ 11%	▲ 12%	▲ 10%	0%	▼ -10%
Q3'11	1.34	1.36	1.30	6	48.9
Q3'10	1.22	1.27	1.18	12	53.7
Q3'11 vs. Q3'10	▲ 10%	▲ 7%	▲ 10%	▼ -50%	▼ -9%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Argus Research Corp.
- Atlantic Equities
- Barclays Capital
- Calyon Securities (usa) Inc.
- Credit Suisse First Boston
- Davenport & Co Of Virginia
- Deutsche Bank
- First Global Stockbroking Ltd.
- Gabelli & Company
- Goldman Sachs & Co.
- HSBC
- JP Morgan Securities
- Janney Montgomery Scott, Inc.
- Merrill Lynch Research
- Stifel Nicolaus & Co.
- UBS Warburg
- Wall Street Strategies

Wall Street Consensus vs. Performance

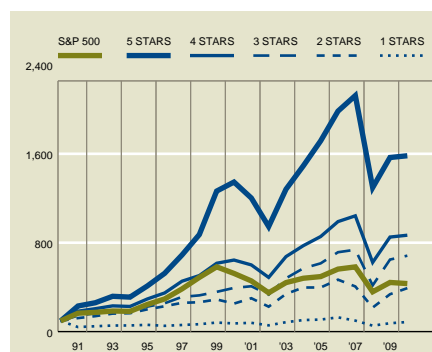
For fiscal year 2010, analysts estimate that PEP will earn \$4.16. For the 2nd quarter of fiscal year 2010, PEP announced earnings per share of \$0.98, representing 24% of the total annual estimate. For fiscal year 2011, analysts estimate that PEP's earnings per share will grow by 11% to \$4.63.

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:

PepsiCo Inc	Raw Score	Max Value
Proprietary S&P Measures	86	115
Technical Indicators	31	40
Liquidity/Volatility Measures	17	20
Quantitative Measures	66	75
IQ Total	200	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London; Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports

CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Required Disclosures

S&P Global STARS Distribution

In North America: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 38.2% of issuers with buy recommendations, 52.2% with hold recommendations and 9.6% with sell recommendations.

In Europe: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services Europe have recommended 35.7% of issuers with buy recommendations, 40.7% with hold recommendations and 23.6% with sell recommendations.

In Asia: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services Asia have recommended 45.3% of issuers with buy recommendations, 48.3% with hold recommendations and 6.4% with sell recommendations.

Globally: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services globally have recommended 38.4% of issuers with buy recommendations, 49.8% with hold recommendations and 11.8% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM") which is regulated by the Securities Commission and in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&PM, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

Standard & Poor's or an affiliate may license certain intellectual property or provide pricing or other services to, or otherwise have a financial interest in, certain issuers of securities, including exchange-traded investments whose investment objective is to substantially replicate the returns of a proprietary Standard & Poor's index, such as the S&P 500. In cases where Standard & Poor's or an affiliate is paid fees that are tied to the amount of assets that are invested in the fund or the volume of trading activity in the fund, investment in the fund will generally result in Standard & Poor's or an affiliate earning compensation in addition to the subscription fees or other compensation for services rendered by Standard & Poor's. A reference to a particular investment or security by Standard & Poor's and one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

S&P and/or one of its affiliates has performed services for and received compensation from this company during the past twelve months.

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. - This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Singapore - Anything herein that may be construed as a recommendation is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. Advice should be sought from a financial adviser regarding the suitability of an investment, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

For residents of Malaysia - All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.