

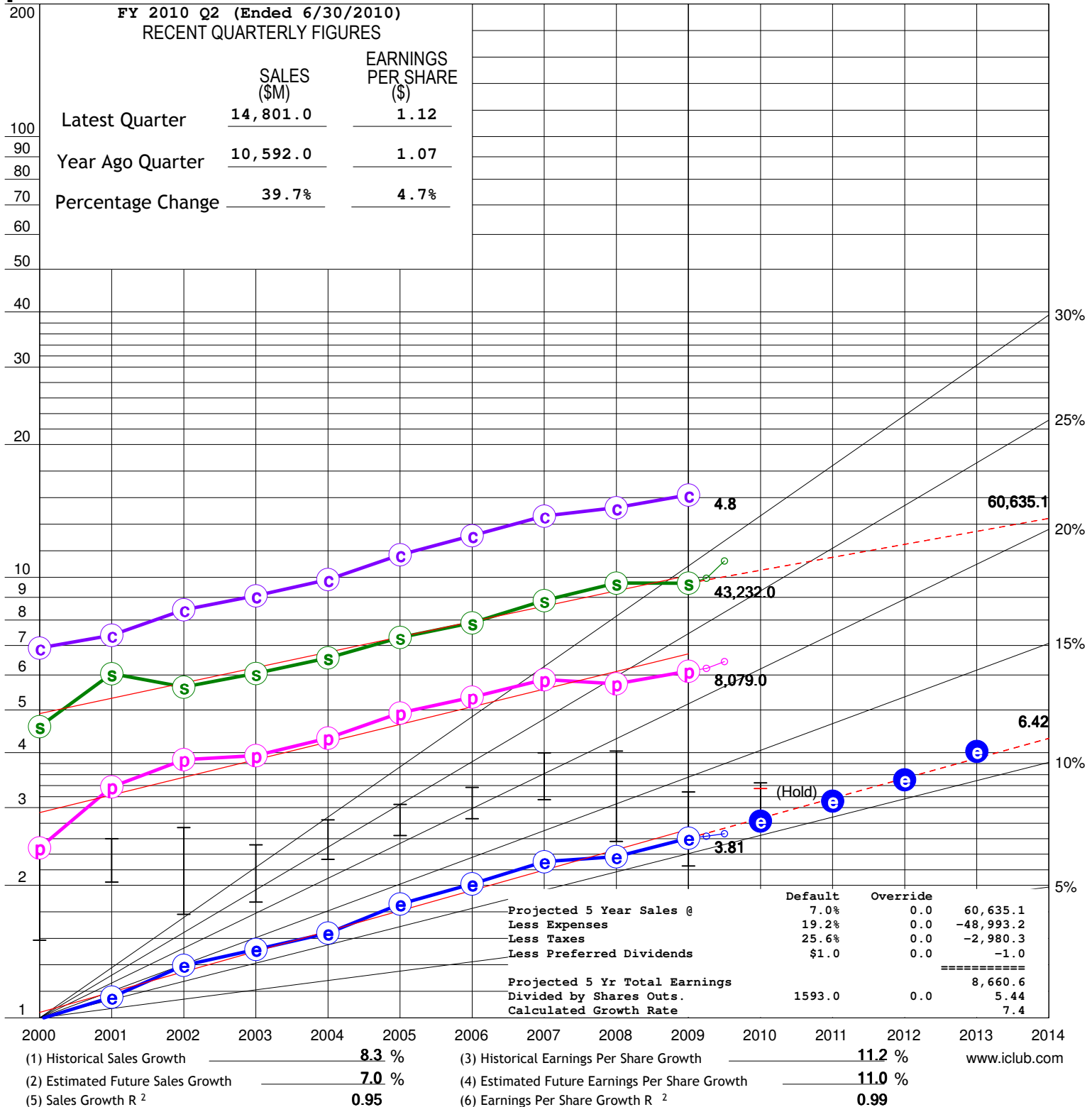


# Stock Study

Company	PEPSICO INC	Price Date	09/03/10
Study by	pwoodring	Data Date	09/03/10
Sector	Consumer Staples	Data Source	NAIC Data
Industry	Soft Drinks	Reference	
Preferred(\$M)	-106.0		
Common(M Shares)	1,593.0	% Insiders	0.0
Debt(\$M)	24,079.0	% Institutions	0.0
% Debt to Tot.Cap.	58.4	Quality	A+ (S&P)

## 1 Growth Analysis

NYSE: PEP



## 2 QUALITY ANALYSIS

Company **PEPSICO INC (PEP)**

09/03/10

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	5 YEAR AVG.	TREND UP / DOWN
<b>A</b> % Pre-tax Profit on Sales	15.7	16.4	20.3	19.3	19.5	19.9	20.1	19.6	17.5	18.7	19.2	EVEN
<b>B</b> % ROE (Beginning Yr)	<del>21.5</del>	33.1	39.7	39.5	33.3	33.4	34.7	35.7	32.0	48.4	36.8	UP
<b>C</b> % Debt to Equity	32.4	30.6	23.5	14.3	17.7	16.1	16.5	24.2	64.3	43.7	33.0	UP

## 3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 65.570 52-WEEK HIGH 67.610 52-WEEK LOW 56.330

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2005	60.3	51.3	2.70	22.3	19.0	1.010	37.4	2.0
2 2006	66.0	56.0	3.00	22.0	18.7	1.160	38.7	2.1
3 2007	79.0	61.9	3.37	23.4	18.4	1.425	42.3	2.3
4 2008	79.8	49.7	3.46	23.1	14.4	1.650	47.7	3.3
5 2009	64.5	43.8	3.81	16.9	11.5	1.775	46.6	4.1
6 AVERAGE		52.5		21.5	16.4		42.5	
AVERAGE P/E RATIO		18.9	PROJECTED P/E RATIO		15.1	TTM EPS		3.90
CURRENT P/E RATIO		16.8	PEG RATIO		1.4	FTM EPS		4.33
RELATIVE VALUE		89.0%	PROJ. RELATIVE VALUE		80.1%			

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

### A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~21.5~~ 20.0 X Estimated High Earnings/Share 6.42 = Forecast High Price \$ 128.4

### B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Sel. Low P/E ~~16.4~~ 15.0 (as adj.) X Estimated Low Earnings/Share ~~3.81~~ 3.90 = \$ 58.5

(b) Average 5-Year Low Price = 52.5

(c) Recent Severe Low Price = 43.8

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = 1.920 ÷ 0.041 = 47.4

Selected Estimated Low Price = \$ 43.8

### C PRICE RANGES

Forecast High Price 128.4 - Estimated Low Price 43.8 = Range 84.6 25% of Range = 21.2

BUY (Lower 25% of Range) = 43.8 to 65.0

MAYBE (Middle 50% of Range) = 65.0 to 107.2

SELL (Upper 25% of Range) = 107.2 to 128.4

Current Price 65.570 is in the Hold Range

### D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 128.4 - Current Price 65.570) ÷ (Current Price 65.570 - Estimated Low Price 43.8) = 2.9 To 1

## 5 TOTAL RETURN ANALYSIS

### A CURRENT YIELD

Present Full Year's Dividend \$ 1.920 ÷ Current Price of Stock \$ 65.570 = 2.9 % Present Yield or % Returned on Purchase Price

### B AVERAGE YIELD OVER NEXT 5 YEARS

(Avg. EPS Next 5 Years 5.21 X Avg. % Payout 42.5) ÷ Current Price \$ 65.570 = 3.4 %

### C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 2.1 % + Annual Appreciation 14.4 % = Compound Annual Total Return 16.5 %

### D % PROJECTED AVERAGE RETURN

Average Yield 2.4 % + Annual Appreciation 11.4 % = Projected Average Total Return 13.8 %