



# PepsiCo, Inc (PEP)

Updated April 18<sup>th</sup>, 2026, by Nathan Parsh

## Key Metrics

|                             |       |   |                  |                                  |                       |
|-----------------------------|-------|---|------------------|----------------------------------|-----------------------|
| <b>Current Price:</b>       | \$158 | <b>5 Year Annual Expected Total Return:</b> | 14.4%            | <b>Market Cap:</b>               | \$216 B               |
| <b>Fair Value Price:</b>    | \$205 | <b>5 Year Growth Estimate:</b>              | 6.0%             | <b>Ex-Dividend Date:</b>         | 06/05/26 <sup>1</sup> |
| <b>% Fair Value:</b>        | 77%   | <b>5 Year Valuation Multiple Estimate:</b>  | 5.4%             | <b>Dividend Payment Date:</b>    | 06/30/26 <sup>2</sup> |
| <b>Dividend Yield:</b>      | 3.7%  | <b>5 Year Price Target</b>                  | \$275            | <b>Years Of Dividend Growth:</b> | 54                    |
| <b>Dividend Risk Score:</b> | A     | <b>Sector:</b>                              | Consumer Staples | <b>Rating:</b>                   | Buy                   |

## Overview & Current Events

PepsiCo is a global food and beverage company that generates almost \$94 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 306,000 people around the world.

On February 3<sup>rd</sup>, 2026, PepsiCo announced that it would increase its annualized dividend by 4.0% to \$5.92 starting with the payment that was made in June 2026, extending the company's dividend growth streak to 54 consecutive years.

On April 16<sup>th</sup>, 2026, PepsiCo reported first quarter results for the period ending March 31<sup>st</sup>, 2026. For the quarter, revenue increased 8.5% to \$19.4 billion, which topped estimates by \$500 million. Adjusted earnings-per-share of \$1.61 compared favorably to \$1.48 the prior year and was \$0.06 better than expected.

Organic sales were higher by 2.6% for the quarter. For the quarter, food volume grew 4% while beverages were unchanged. PepsiCo Beverages North America's organic revenue improved 2% for the period even as volume declined by 2.5%. Revenue for PepsiCo Foods North America was up 1%, driven by a 2% increase in volume. The International Beverages segment grew 5%, mostly due to higher prices. Revenues in Europe/Middle East/Africa and Asia Pacific Foods were both up 7% while Latin America Foods grew 3%.

PepsiCo reaffirmed guidance for 2026 as well, with the company still expecting organic sales in a range of 2% to 4%. The company expects earnings-per-share growth in a range of 4% to 6%.

## Growth on a Per-Share Basis

| Year                      | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   | 2026          | 2031           |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|----------------|
| <b>EPS</b>                | \$4.85 | \$5.23 | \$5.65 | \$5.53 | \$5.52 | \$6.26 | \$6.42 | \$7.62 | \$8.16 | \$8.14 | <b>\$8.55</b> | <b>\$11.44</b> |
| <b>DPS</b>                | \$2.96 | \$3.12 | \$3.47 | \$3.82 | \$4.02 | \$4.25 | \$4.53 | \$4.83 | \$5.24 | \$5.56 | <b>\$5.92</b> | <b>\$7.92</b>  |
| <b>Shares<sup>3</sup></b> | 1428   | 1420   | 1410   | 1400   | 1388   | 1390   | 1385   | 1381   | 1377   | 1371   | <b>1371</b>   | <b>1360</b>    |

PepsiCo grew earnings at a rate of 5.9% per year from 2016 to 2025, but this growth rate expands somewhat to 6.4% 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.

<sup>1</sup> Estimated ex-dividend date

<sup>2</sup> Estimated dividend payment date

<sup>3</sup> 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      | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Now         | 2031        |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E  | 21.4 | 21.6 | 19.1 | 26.3 | 28.8 | 31.6 | 32.9 | 26.9 | 18.6 | 17.6 | <b>18.5</b> | <b>24.0</b> |
| Avg. Yld. | 2.9% | 2.8% | 3.1% | 2.9% | 2.9% | 2.4% | 2.5% | 2.8% | 3.4% | 3.9% | <b>3.7%</b> | <b>2.9%</b> |

Shares of PepsiCo have declined \$5, or 3.1%, since our February 3<sup>rd</sup>, 2026 report. Based off earnings guidance for 2026, the stock has a P/E of 18.5. The stock has an average P/E ratio of 24.5 over the last decade and 25.5 over the last five years. We are reaffirming our 2031 target P/E of 24 to better match the stock's average valuation over the medium-term. Reaching our target by then would add 5.4% to annual returns over this period. Shares offer a 3.7% yield currently, which is ahead of the stock's long-term average yield of 3.0%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

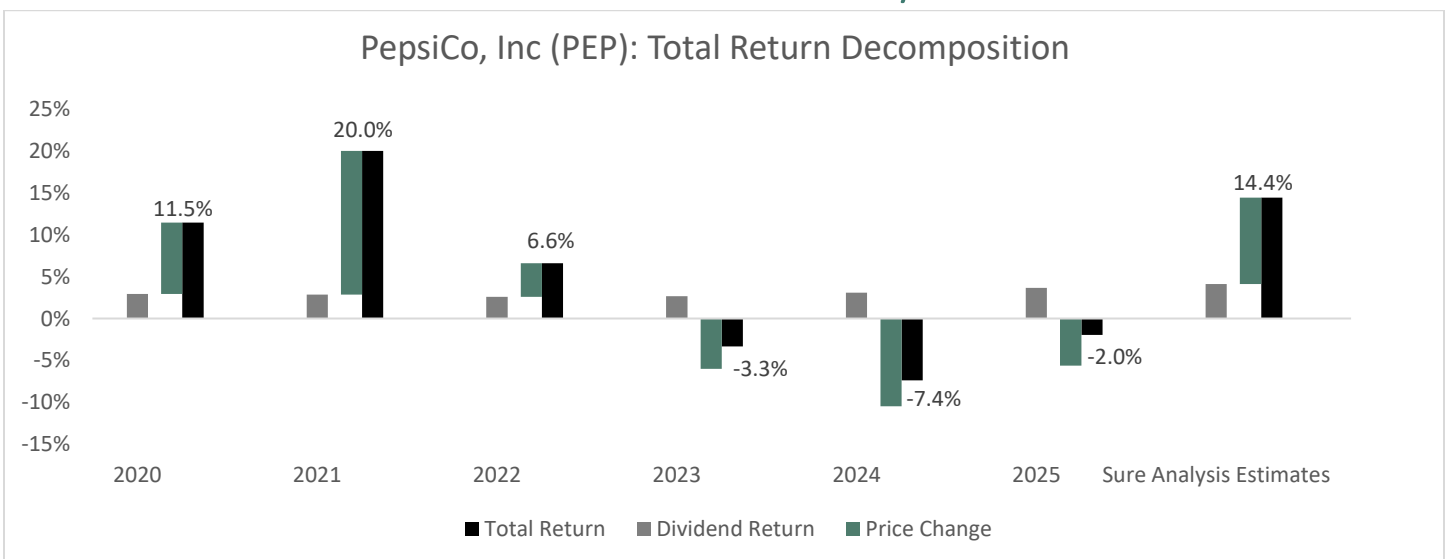
| Year   | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026       | 2031       |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 61%  | 60%  | 61%  | 69%  | 73%  | 68%  | 71%  | 63%  | 64%  | 68%  | <b>69%</b> | <b>69%</b> |

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 \$8.9 billion in cash to shareholders in the form of dividends and share repurchases in 2026. 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. This includes water, low-calorie, and zero-sugar product offerings.

## Final Thoughts & Recommendation

After first quarter earnings results, PepsiCo is projected to produce an annual return of 14.4% through 2031, up from our prior estimate of 13.7%. Our projected return stems from a 6.0% earnings growth rate, a starting yield of 3.7%, and a mid-single-digit contribution from multiple expansion. PepsiCo's results were mostly higher for all segments. We maintain our 2031 price target \$13 to \$275 due to EPS estimates for the year. We again 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 and a strong dividend risk score.

## Total Return Breakdown by Year



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## Income Statement Metrics

| Year                    | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Revenue</b>          | 62,801 | 63,525 | 64,660 | 67,162 | 70,372 | 79,468 | 86,403 | 91,468 | 91,853 | 93,924 |
| <b>Gross Profit</b>     | 34,479 | 34,743 | 35,275 | 37,150 | 38,612 | 42,536 | 46,122 | 49,828 | 50,362 | 51,102 |
| <b>Gross Margin</b>     | 54.9%  | 54.7%  | 54.6%  | 55.3%  | 54.9%  | 53.5%  | 53.4%  | 54.5%  | 54.8%  | 54.4%  |
| <b>SG&amp;A Exp.</b>    | 24,735 | 24,453 | 25,170 | 26,738 | 28,495 | 31,237 | 34,459 | 36,677 | 37,190 | -      |
| <b>D&amp;A Exp.</b>     | 2,368  | 2,369  | 2,399  | 2,432  | 2,548  | 2,710  | 2,763  | 2,948  | 3,815  | 4,178  |
| <b>Operating Profit</b> | 10,148 | 10,298 | 10,400 | 10,648 | 10,415 | 11,447 | 11,866 | 14,087 | 14,295 | 14,815 |
| <b>Op. Margin</b>       | 16.2%  | 16.2%  | 16.1%  | 15.9%  | 14.8%  | 14.4%  | 13.7%  | 15.4%  | 15.6%  | 15.8%  |
| <b>Net Profit</b>       | 6,379  | 4,908  | 12,559 | 7,353  | 7,175  | 7,679  | 8,978  | 9,155  | 9,626  | 8,295  |
| <b>Net Margin</b>       | 10.2%  | 7.7%   | 19.4%  | 10.9%  | 10.2%  | 9.7%   | 10.4%  | 10.0%  | 10.5%  | 8.8%   |
| <b>Free Cash Flow</b>   | 7,364  | 7,061  | 6,133  | 5,417  | 6,373  | 6,991  | 5,604  | 7,924  | 7,189  | 7,672  |
| <b>Income Tax</b>       | 2,174  | 4,694  | -3,370 | 1,959  | 1,894  | 2,142  | 1,727  | 2,262  | 2,320  | 1,949  |

## Balance Sheet Metrics

| Year                          | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023    | 2024   | 2025    |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|---------|--------|---------|
| <b>Total Assets</b>           | 76,870 | 81,756 | 77,648 | 78,547 | 92,918 | 92,377 | 92,187 | 100,495 | 99,467 | 107,399 |
| <b>Cash &amp; Equivalents</b> | 16,125 | 19,510 | 10,990 | 5,738  | 9,551  | 5,988  | 5,348  | 10,003  | 9,266  | 9,530   |
| <b>Acc. Receivable</b>        | 5,575  | 5,827  | 5,978  | 6,342  | 6,691  | 7,025  | 8,042  | 8,500   | 8,131  | 9,035   |
| <b>Inventories</b>            | 2,723  | 2,947  | 3,128  | 3,338  | 4,172  | 4,347  | 5,222  | 5,334   | 5,306  | 5,845   |
| <b>Goodwill &amp; Int.</b>    | 27,863 | 28,582 | 30,633 | 31,544 | 38,072 | 37,046 | 33,788 | 32,657  | 32,335 | 33,982  |
| <b>Total Liabilities</b>      | 65,671 | 70,775 | 63,046 | 63,679 | 79,366 | 76,226 | 74,914 | 81,858  | 81,296 | 86,852  |
| <b>Accounts Payable</b>       | 6,158  | 6,727  | 7,213  | 8,013  | 8,853  | 9,834  | 10,732 | 11,635  | 10,997 | 11,704  |
| <b>Long-Term Debt</b>         | 34,454 | 37,816 | 32,248 | 33,114 | 44,961 | 41,496 | 40,686 | 43,919  | 44,031 | 49,478  |
| <b>Total Equity</b>           | 11,246 | 11,045 | 14,518 | 14,786 | 13,454 | 16,043 | 17,149 | 18,503  | 18,041 | 20,406  |
| <b>LTD/E Ratio</b>            | 3.33   | 3.61   | 2.23   | 2.27   | 3.41   | 2.64   | 2.42   | 2.54    | 2.65   | 2.60    |

## Profitability & Per Share Metrics

| Year                    | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Return on Assets</b> | 8.5%  | 6.2%  | 15.8% | 9.4%  | 8.4%  | 8.3%  | 9.7%  | 9.5%  | 9.6%  | 8.0%  |
| <b>Return on Equity</b> | 54.9% | 44.3% | 98.2% | 49.9% | 50.5% | 51.7% | 53.7% | 51.0% | 52.3% | 42.8% |
| <b>ROIC</b>             | 13.7% | 10.0% | 25.8% | 15.4% | 13.3% | 13.0% | 15.3% | 14.7% | 14.6% | 11.9% |
| <b>Shares Out.</b>      | 1428  | 1420  | 1410  | 1400  | 1388  | 1390  | 1385  | 1381  | 1377  | 1371  |
| <b>Revenue/Share</b>    | 43.25 | 44.18 | 45.38 | 47.73 | 50.55 | 57.21 | 62.29 | 66.14 | 66.66 | 68.41 |
| <b>FCF/Share</b>        | 5.07  | 4.91  | 4.30  | 3.85  | 4.58  | 5.03  | 4.04  | 5.73  | 5.22  | 5.59  |

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

### Disclaimer

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