

Welcome

# Consumer Staples Company Presentation

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**Student Investment Management**

*(Data as of April 3, 2017)*

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Buy



SIM Review



Sell

# Sector Recap



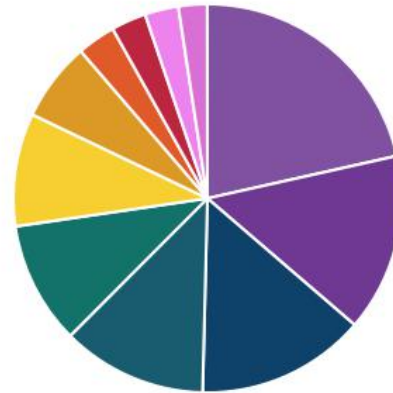
# Consumer Staples Sector



- Size: \$2.216 trillion



- 9.4% of S&P 500



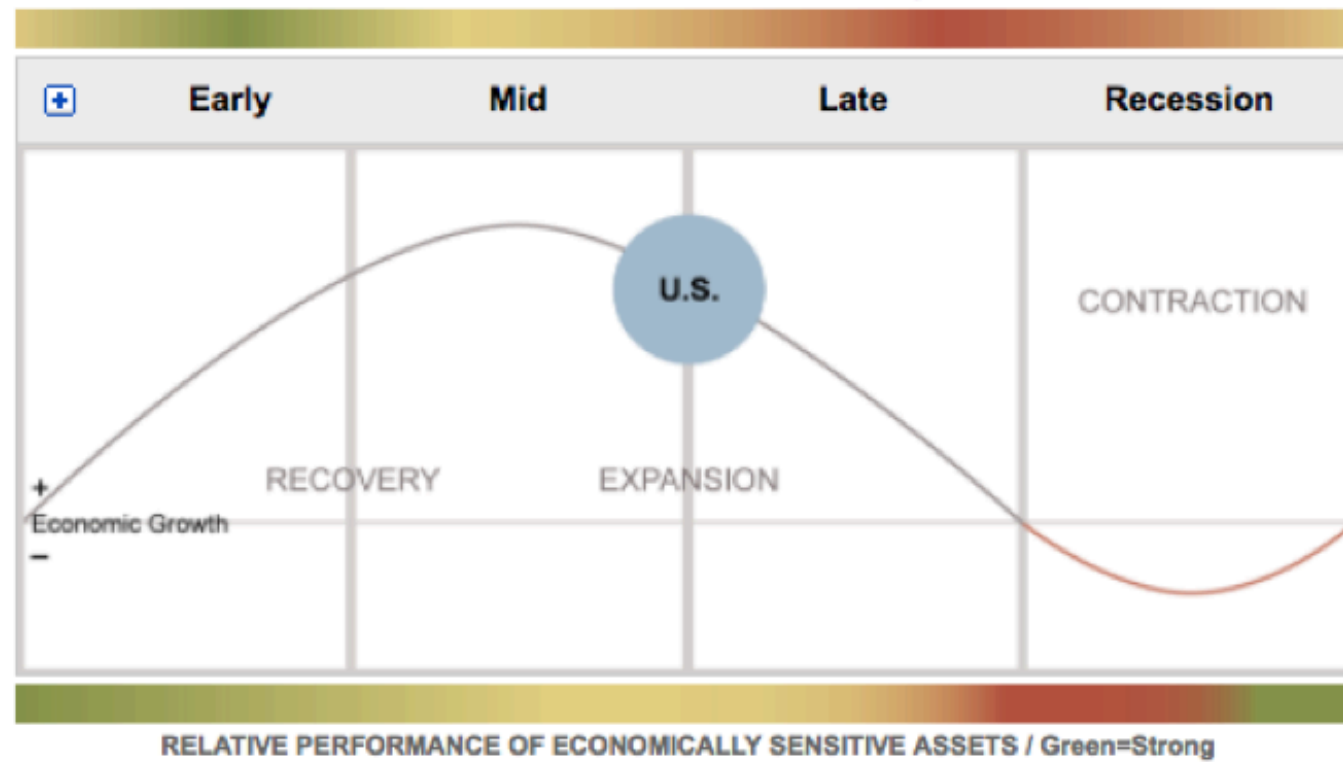
Information Technology	21.5%
Financials	14.8%
Health Care	14.1%
Consumer Discretionary	12.1%
Industrials	10.2%
Consumer Staples	9.4%
Energy	6.6%
Utilities	3.2%
Real Estate	2.9%
Materials	2.8%
Telecommunication Services	2.4%

Based on GICS® sectors

The weightings for each sector of the index are rounded to the nearest tenth of a percent; therefore, the aggregate weightings for the index may not equal 100%.

As Of Feb 28, 2017

INFLATIONARY PRESSURES / Red=High



### Sector Performance by Business Cycle Phase

Sector	Early	Mid	Late	Recession
Consumer Staples	-		+	++

++ Consistently Overperform    -- Consistently Underperform    □ No Clear Pattern  
 + Overperform    - Underperform

Phrases of Life Cycle

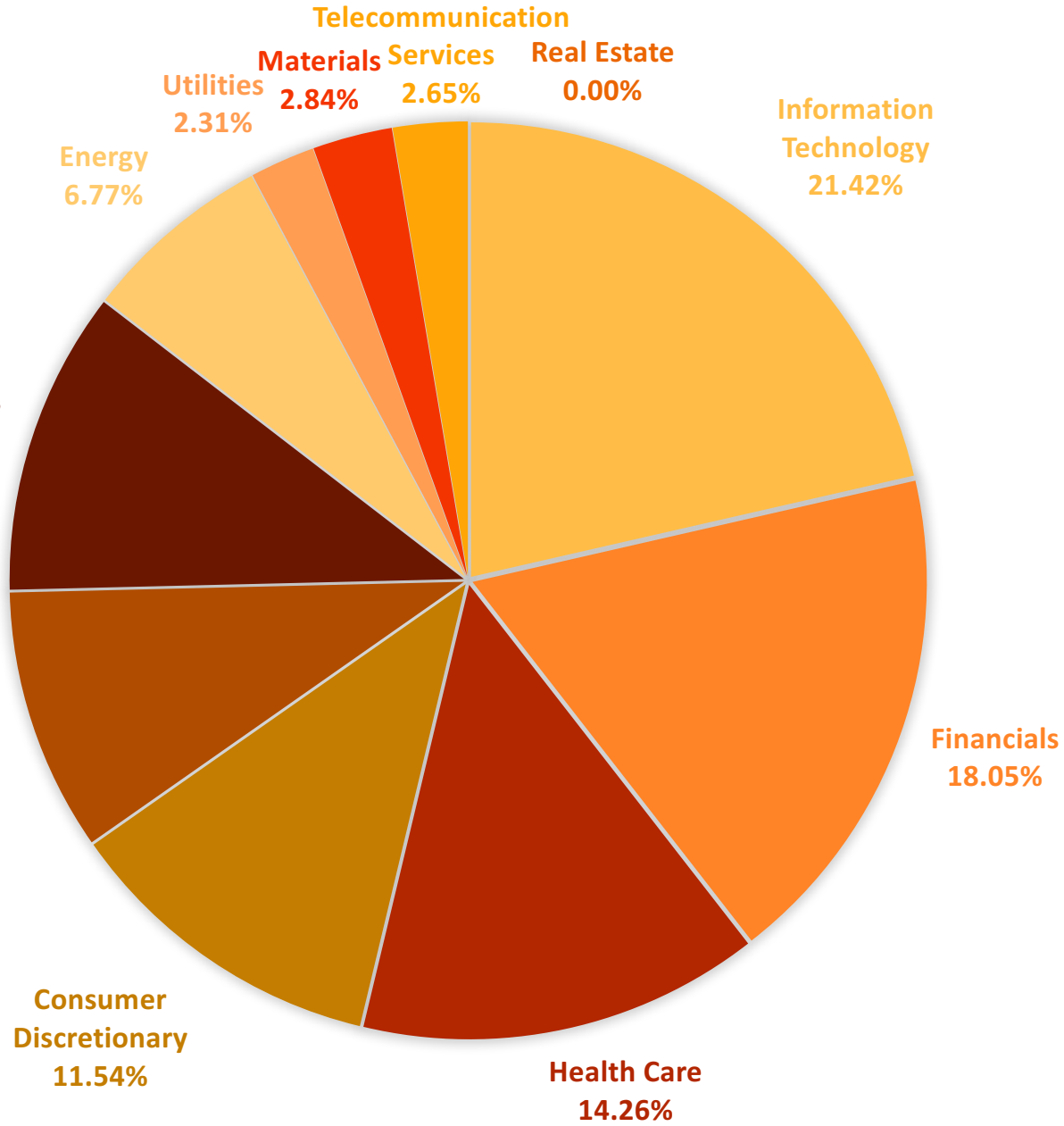
# SIM Portfolio Review



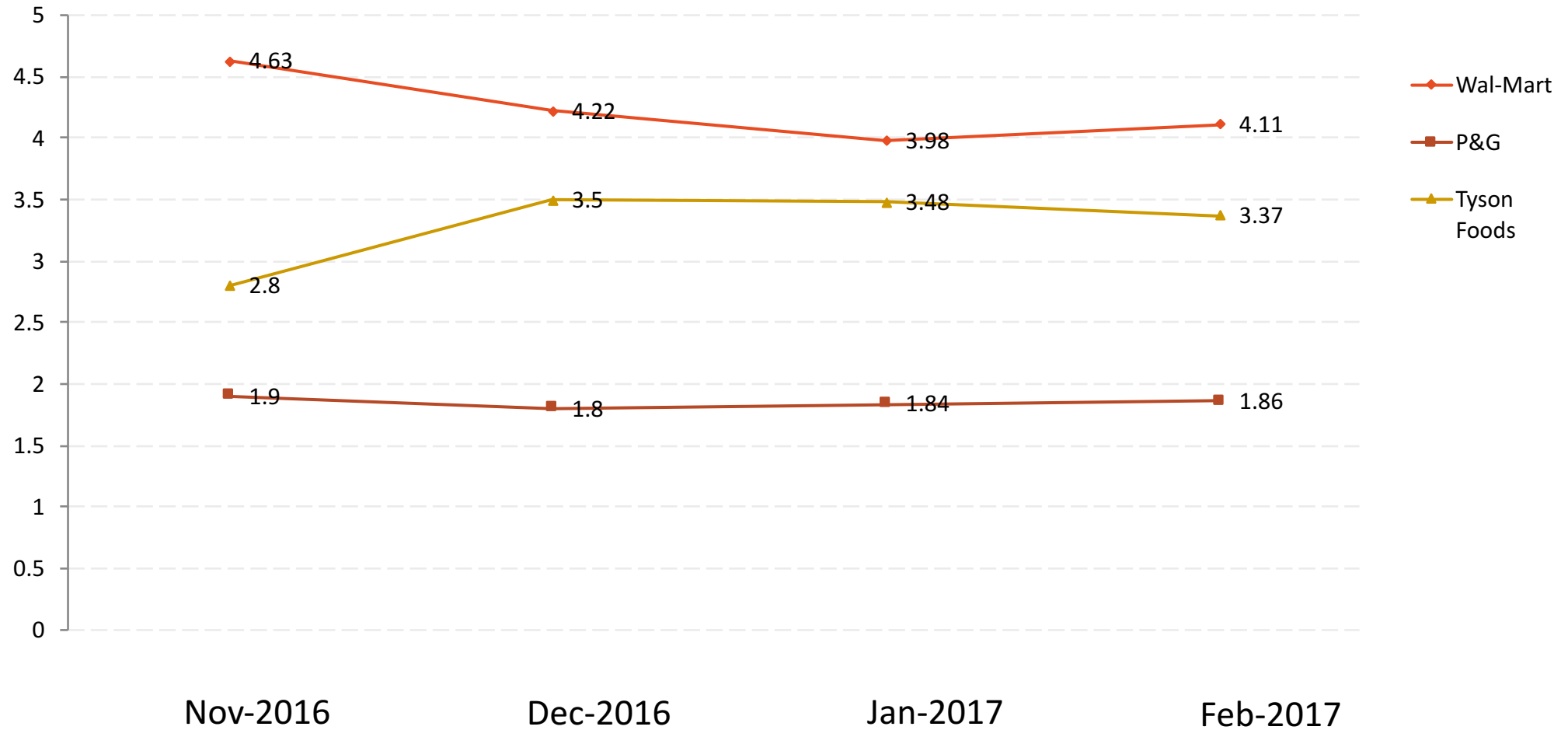
# SIM Portfolio

S&P : 9.4% ↔

Consumer Staples  
9.34%

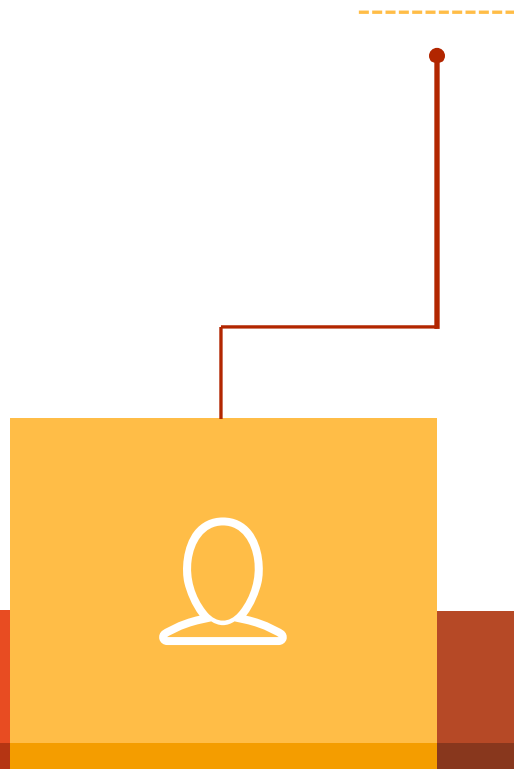


# Consumer Staples Companies % within SIM









# Recommendations

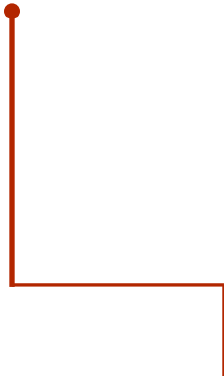


# Recommendation Summary

## Consumer Staples

Company	 Walmart	 Tyson	 PEPSICO	 P&G
	Wal-Mart	Tyson Foods	PepsiCo	Procter&Gamble
Ticker	WMT	TSN	PEP	PG
Current Price	\$72.05	\$61.97	\$111.58	\$89.54
Target Price	\$71.36	\$71	\$119	\$87.13
Recommendation	HOLD	HOLD	BUY	SELL
			186 bp	186 bp

# Recommendation: HOLD



# HOLD: Wal-Mart (WMT)



Market Cap: \$221.5B

Unit Cost: \$72.03

Current Price: \$72.05

Target Price: \$71.36



Fluctuate around the target price, no compelling reason to buy/sell

# HOLD: Tyson Foods (TSN)



Market Cap: \$22.12B

Unit Cost: \$70.06

Current Price: \$61.97

Target Price: \$71



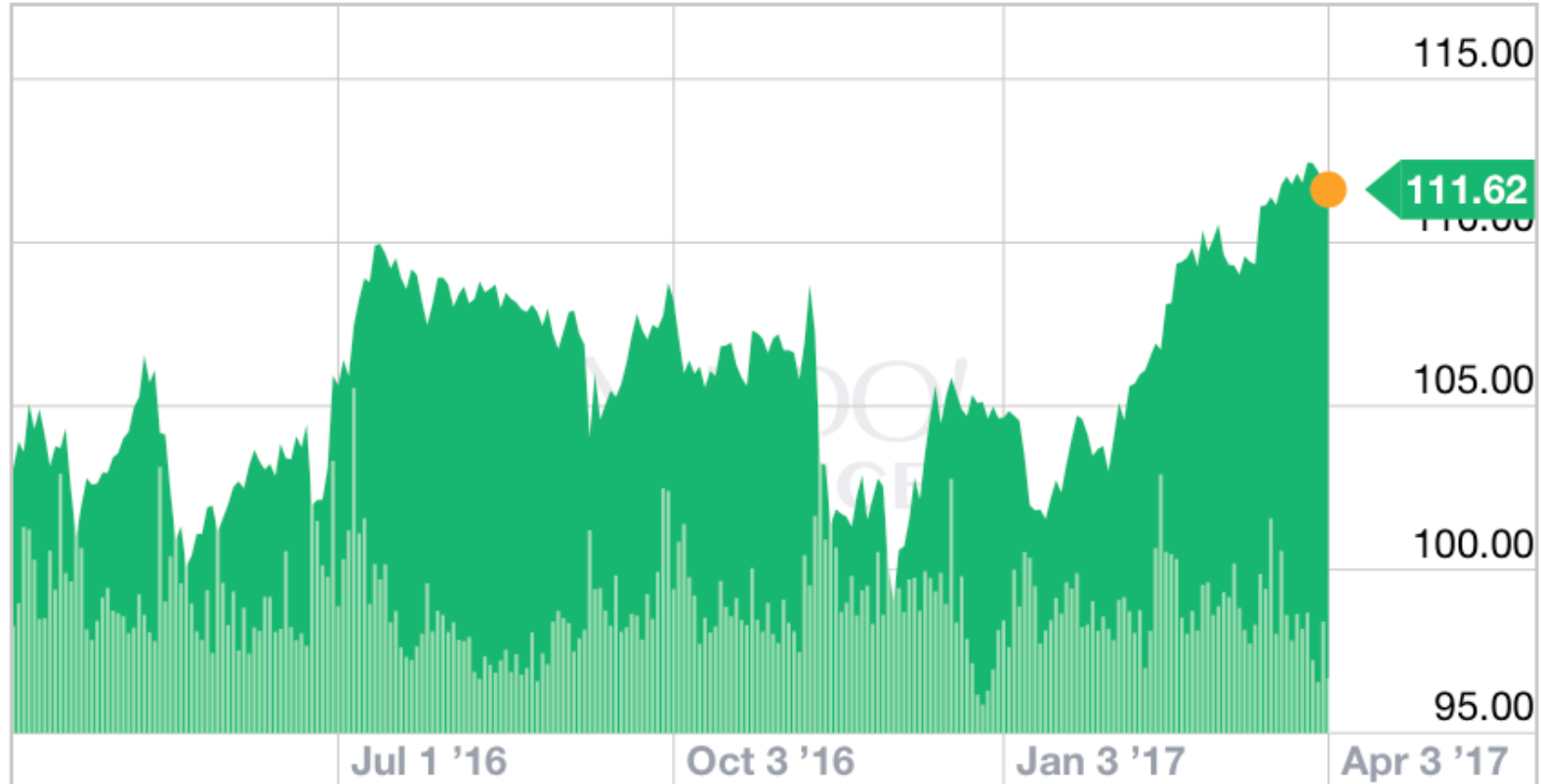
Current price much lower than unit cost, temporary negative effects from Bird Flu, hold for price recovery

# Recommendation: BUY



# BUY: PepsiCo (PEP)

1D 5D 1M 6M YTD 1Y 2Y 5Y 10Y MAX [↗ Interactive chart](#)



**PEP – 1 Year Performance**



# PEP Key Drivers

- Diversification of Products: 1/3 Beverage; 2/3 Package Food  
↔ Coca-Cola: 100% Beverage

- High-value Brand Portfolio

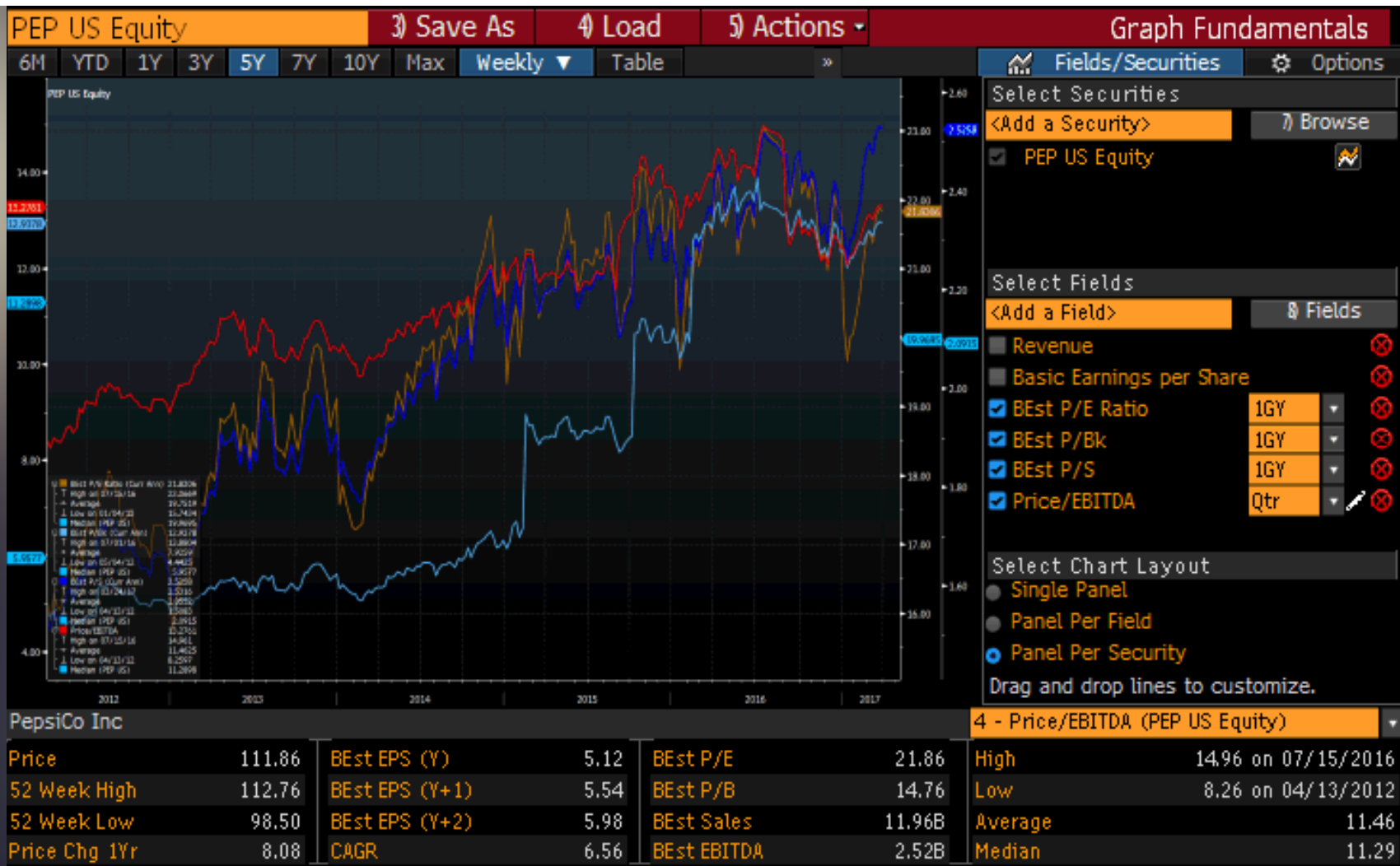
- Large market share

- Multi-national operations





# BUY: PepsiCo (PEP)



	High	Low	Median	Current
P/E	23.07	15.74	19.97	21.83
P/B	13.88	4.44	5.96	12.94
P/S	2.53	1.51	2.09	2.52
P/EBITDA	14.96	8.26	11.46	13.28

Key Ratios



# BUY: PepsiCo (PEP)

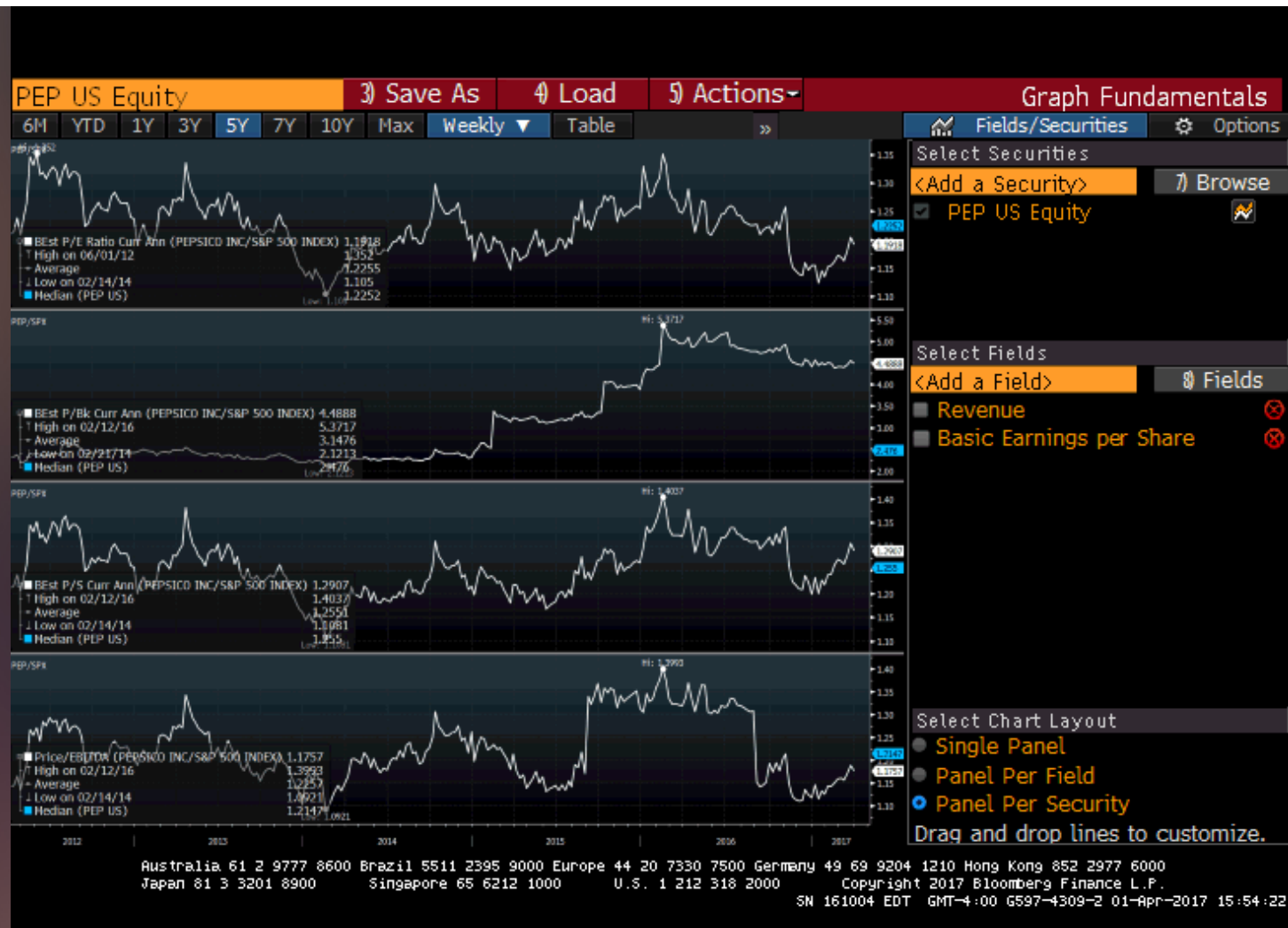
Ticker	P/E TTM	P/S TTM	P/B	P/CF TTM	EV/ EBITDA TTM
Average	24.8425	3.2375	7.435	27.985	15.66
PEP	23.07	2.57	14.45	21.89	14.07
Peers					
COCA-COLA CO/THE	22.11	4.38	7.89	28.03	15.8
CONSTELLATION BRANDS	26.21	4.48	4.6	42.32	16.91
FOMENTO ECONOMICO ME	27.98	1.52	2.8	19.7	15.86

Ticker	Name	Gross Margin TTM	EBITDA Margin TTM	Operating Margin	Profit Margin TTM
None (17 securities)					
Average	Average	46.30	20.35	15.66	10.10
PEP US Equity	PEPSICO INC	55.16	20.91	16.69	11.21

## Comparison to Peers – Ratios & Margins



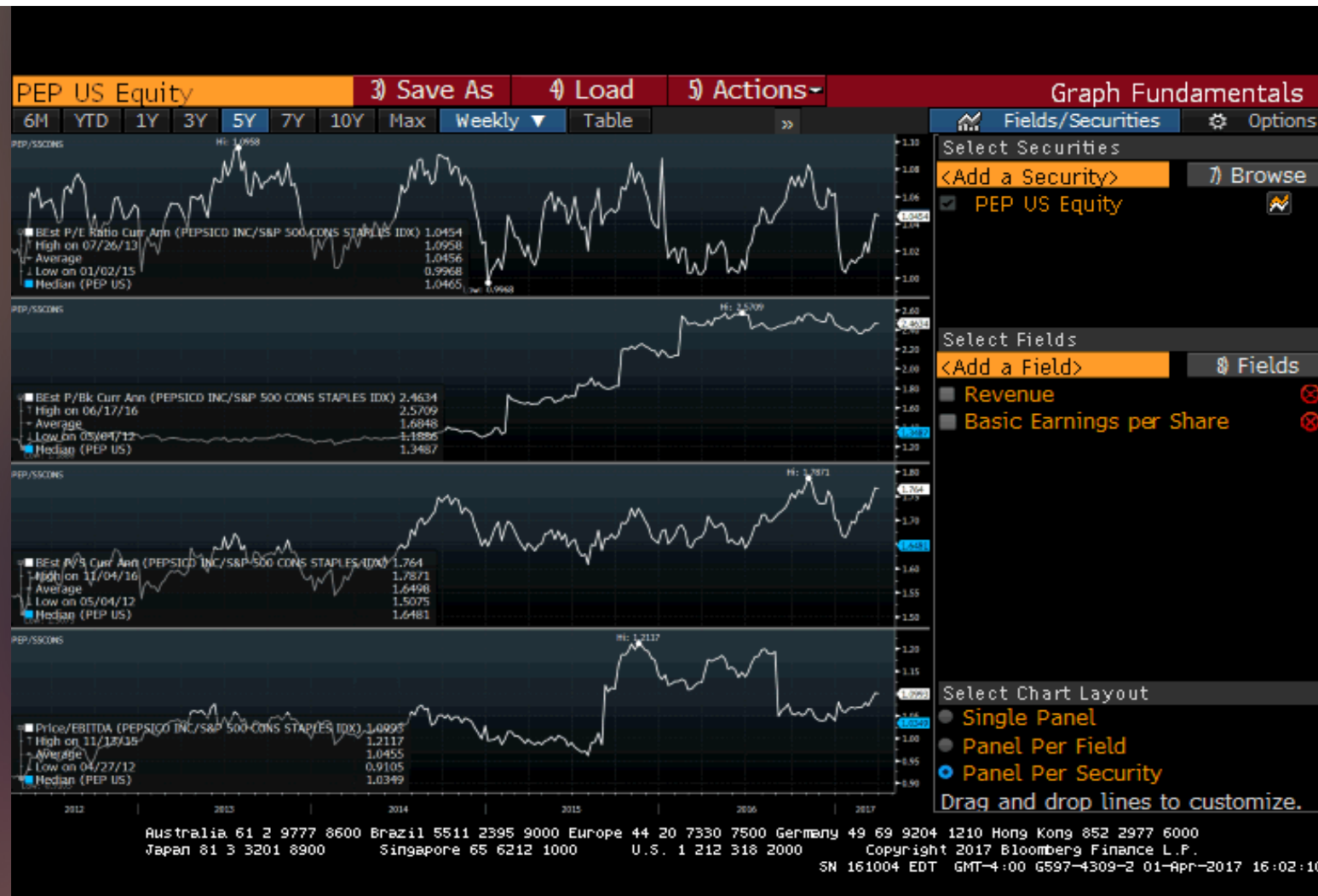
# BUY: PepsiCo (PEP)



Relative to S&P 500



# BUY: PepsiCo (PEP)



Relative to Consumer Staples Sector



# BUY: PepsiCo (PEP)

## Quarter Breakdown For Past 3 Years

PEP US Equity	6/29/07	-	3/31/17	
Date	Last Px	Profit Margin	Asset Turnover	Assets/Equity
		Median	Median	Median
		9.63	0.87	4.02
3/31/17	111.86			
12/31/16	104.63	7.18	0.87	6.62
9/30/16	108.77	12.43	0.86	5.81
6/30/16	105.94	13.02	0.86	5.88
3/31/16	102.48	7.85	0.90	6.23
12/31/15	99.92	9.24	0.90	5.79
9/30/15	94.3	3.26	0.86	5.15
6/30/15	93.34	12.43	0.86	4.39
3/31/15	95.62	9.99	0.90	4.35
12/31/14	94.56	6.57	0.90	4.02
9/30/14	93.09	11.66	0.85	3.47
6/30/14	89.34	11.71	0.85	3.41
3/31/14	83.5	9.63	0.87	3.39
12/31/13	82.94	8.66	0.87	3.18
9/30/13	79.5	11.31	0.88	3.43
6/28/13	81.79	11.96	0.89	3.37
3/29/13	79.11	8.54	0.88	3.35

**ROE Breakdown** :  $ROE = (\text{net profit margin}) * (\text{asset turnover}) * (\text{equity multiplier})$

$= (\text{net income} / \text{sales}) * (\text{sales} / \text{assets}) * (\text{assets} / \text{shareholders' equity})$



# BUY: PepsiCo (PEP)

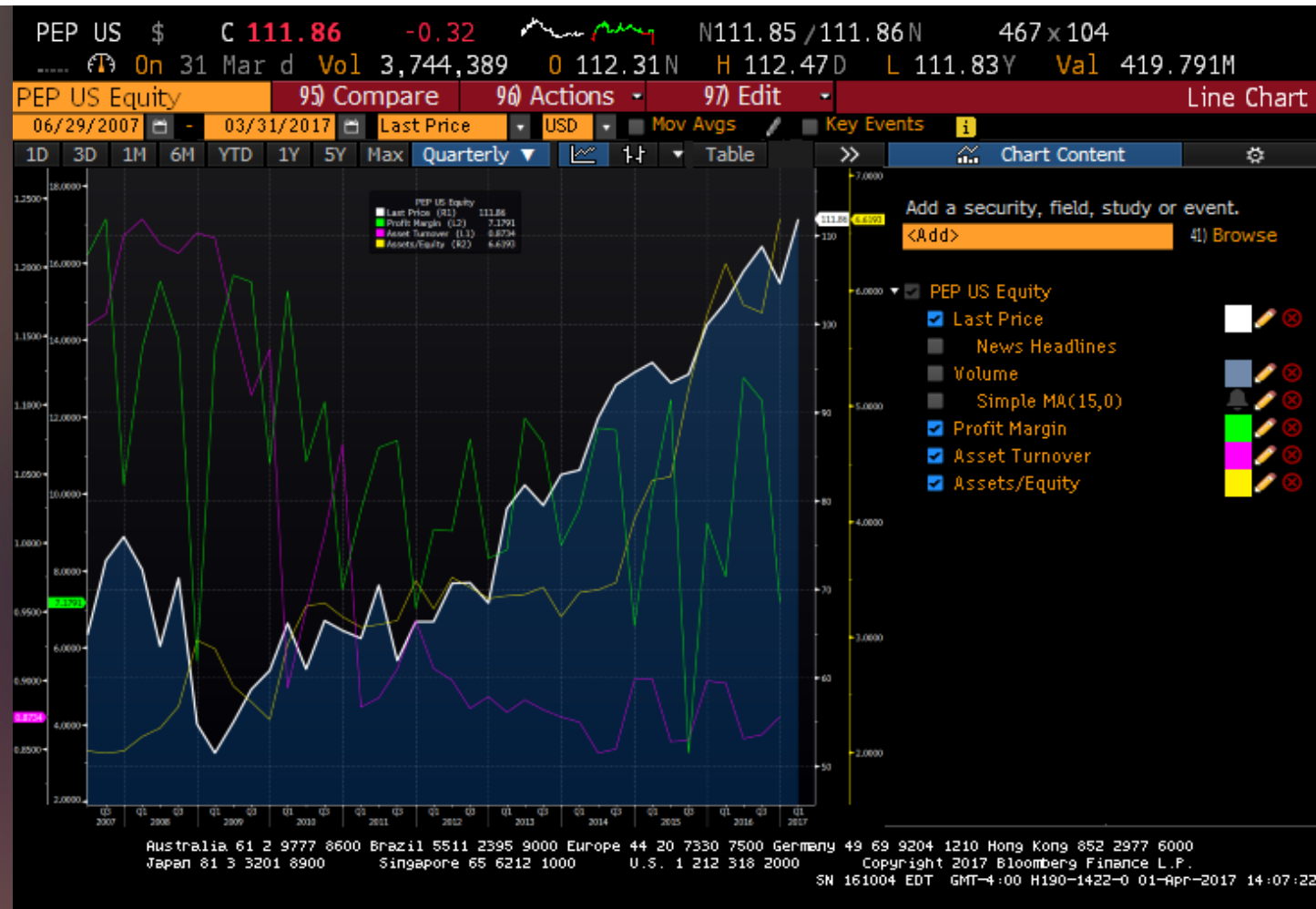
In Millions of USD except Per Share	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
12 Months Ending	12/29/07	12/27/08	12/26/09	12/25/10	12/31/11	12/29/12	12/28/13	12/27/14	12/26/15	12/31/16	Median
<b>Operating Margin</b>											
EBIT/Revenue %	19.9	16.99	19.61	15.79	14.57	14.05	14.76	14.5	13.34	15.76	15.26
<b>Asset Turnover</b>											
Revenue/Avg Assets	1.22	1.22	1.14	1.07	0.94	0.89	0.87	0.9	0.9	0.87	0.92
<b>Leverage Ratio</b>											
Avg Assets/Avg Equity	1.99	2.41	2.63	2.85	3.38	3.45	3.27	3.55	4.79	6.27	3.33
<b>Adjusted Return on Equity</b>											
	34.32	40.19	40.48	32.69	33.67	29.96	28.25	33.98	46.91	61.91	34.15
<b>5 Year Average Adj ROE</b>	<b>33.3</b>	<b>34.62</b>	<b>36.4</b>	<b>36.38</b>	<b>36.27</b>	<b>35.4</b>	<b>33.01</b>	<b>31.71</b>	<b>34.56</b>	<b>40.2</b>	<b>35.01</b>
Payout Ratio	40.84	50.43	46.6	47.96	49.6	53.67	51.26	58.49	74.75	67.72	50.85
Sustainable Growth Rate	20.54	17.4	22.01	17.35	15.57	13.36	14.11	13	9.39	17.8	16.46

**ROE Breakdown** :  $ROE = (\text{net profit margin}) * (\text{asset turnover}) * (\text{equity multiplier})$

$= (\text{net income} / \text{sales}) * (\text{sales} / \text{assets}) * (\text{assets} / \text{shareholders' equity})$



# BUY: PepsiCo (PEP)



**ROE Breakdown** :  $ROE = (\text{net profit margin}) * (\text{asset turnover}) * (\text{equity multiplier})$

$= (\text{net income} / \text{sales}) * (\text{sales} / \text{assets}) * (\text{assets} / \text{shareholders' equity})$



# BUY: PepsiCo (PEP)

s	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
12 Months Ending	12/29/07	12/27/08	12/26/09	12/25/10	12/31/11	12/29/12	12/28/13	12/27/14	12/26/15	12/31/16
Short and Long Term Debt	4,203.00	8,227.00	7,864.00	24,897.00	26,773.00	28,359.00	29,639.00	28,897.00	33,284.00	36,945.00
Short-Term Debt	0	369	464	4,898.00	6,205.00	4,815.00	5,306.00	5,076.00	4,071.00	6,892.00
Long Term Debt	4,203.00	7,858.00	7,400.00	19,999.00	20,568.00	23,544.00	24,333.00	23,821.00	29,213.00	30,053.00
Total Debt/Equity	24.39	67.96	45.09	115.93	128.11	126.61	121.53	164.67	276.67	329.9
Total Debt/Capital	19.61	40.46	31.08	53.69	56.16	55.87	54.86	62.22	73.45	76.74
Total Debt/Total Assets	12.14	22.86	19.73	36.53	36.73	38	38.25	40.98	47.78	49.84
Net Debt/Equity	9.99	49.15	21.38	86.27	106.93	97.06	81.84	114.95	176.85	185.91
Net Debt/Capital	9.08	32.95	17.61	46.32	51.68	49.25	45.01	53.48	63.88	65.02
EBITDA	8,596.00	8,478.00	9,679.00	10,659.00	12,370.00	11,801.00	12,368.00	12,206.00	10,769.00	12,153.00
EBITDA-CapEx	6,166.00	6,032.00	7,551.00	7,406.00	9,031.00	9,087.00	9,573.00	9,347.00	8,011.00	9,113.00
EBIT	7,170.00	6,935.00	8,044.00	8,332.00	9,633.00	9,112.00	9,705.00	9,581.00	8,353.00	9,785.00

## Other Ratios – Credit

Increasing financial leverage in recent decade





# BUY: PepsiCo (PEP)

In Millions of USD except Per Share	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
12 Months Ending	12/29/07	12/27/08	12/26/09	12/25/10	12/31/11	12/29/12	12/28/13	12/27/14	12/26/15	12/31/16
Cash Ratio	0.32	0.26	0.47	0.4	0.24	0.39	0.54	0.48	0.68	0.76
Current Ratio	1.31	1.23	1.44	1.11	0.96	1.1	1.24	1.14	1.31	1.28
Quick Ratio	0.89	0.79	0.93	0.75	0.58	0.81	0.94	0.86	1.06	1.09
CFO/Avg Current Liab	0.95	0.85	0.77	0.69	0.53	0.48	0.55	0.58	0.59	0.54
Common Equity/Total Assets	49.65	33.52	42.07	30.99	28.19	29.81	31.28	24.67	17.06	14.91

## Other Ratios – Liquidity



Most liquidity ratios increase or remain the same level despite higher leverage

# BUY: PepsiCo (PEP)

In Millions of USD except Per Share	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
12 Months Ending	12/29/07	12/27/08	12/26/09	12/25/10	12/31/11	12/29/12	12/28/13	12/27/14	12/26/15	12/31/16
Returns										
Return on Common Equity	34.72	35.09	41.21	33.33	30.89	28.84	28.96	31.32	37.2	55.14
Return on Assets	17.53	14.56	15.68	11.7	9.14	8.38	8.86	8.8	7.78	8.8
Return on Capital	29.39	25.77	27.49	19.62	15.07	13.99	14.28	14.41	13.55	15.79
Return on Invested Capital	26.88	24.38	26.65	18.97	15.58	13.9	13.38	13.6	12.45	14.94
Margins										
Gross Margin	54.3	52.95	53.51	54.05	52.49	52.22	52.96	53.69	54.44	55.08
EBITDA Margin	21.78	19.6	22.39	18.43	18.6	18.02	18.62	18.3	17.08	19.35
Operating Margin	18.16	16.03	18.61	14.41	14.48	13.91	14.61	14.37	13.25	15.58
Incremental Operating Margin	15.31	—	—	1.97	15.01	-51.48	64.25	—	-33.86	—
Pretax Margin	19.33	16.23	18.69	14.23	13.28	12.68	13.39	13.13	11.8	13.62
Income before XO Margin	14.33	11.89	13.83	10.96	9.72	9.49	10.22	9.83	8.72	10.16
Net Income Margin	14.33	11.89	13.75	10.93	9.69	9.43	10.15	9.77	8.65	10.08
Net Income to Common Margin	14.3	11.87	13.74	10.92	9.68	9.42	10.14	9.78	8.64	10.07
Additional										
Effective Tax Rate	25.86	26.76	25.99	23.01	26.85	25.17	23.66	25.11	26.08	25.42
Dvd Payout Ratio	40.84	50.43	46.6	47.96	49.6	53.67	51.26	58.49	74.75	67.72
Sustainable Growth Rate	20.54	17.4	22.01	17.35	15.57	13.36	14.11	13	9.39	17.8

## Other Ratios – Profitability

Most ratios increase in the recent 5 years or longer



# BUY: PepsiCo (PEP)

Year	Last reported year	1 yr forward estimate	2 yr forward estimate	3 yr forward estimate
Revenue	62.799B	63.272B	65.692B	68.271B
% growth from prior year	-0.41%	0.75%	3.82%	3.93%
Shares Outstanding	1,428.2M			
Earnings Per Share	4.36	5.13	5.54	5.99
% growth from prior year	18.80%	17.66%	7.95%	8.07%

## Revenues and EPS



# BUY: PepsiCo (PEP)

Pepsico, Inc. (PEP)	FY	FY	FY	FY	FY	FY	FY	FY
Millions	2019E	2018E	2017E	2016	2015	2014	2013	2012
<b>Sales &amp; Revenues:</b>								
Sales	68,271	65,692	63,272	62,799	63,056	66,683	66,415	65,492
<b>Operating Costs</b>								
COGS				28,209	28,731	31,238	31243	31291
SG&A				24,735	24,538	25,772	25357	24970
Venezuela impairment charges				0	1,359	0	0	0
Amortization of intangible assets				70	75	92	110	119
Total Operating Costs				<u>53,014</u>	<u>54,703</u>	<u>57,102</u>	<u>56,710</u>	<u>56,380</u>
<b>Operating Profit</b>	<b>12,664</b>	<b>11,769</b>	<b>10,950</b>	<b>9,785</b>	<b>8,353</b>	<b>9,581</b>	<b>9,705</b>	<b>9,112</b>
<b>Other (Income) Expense:</b>								
Interest expense	(1365)	(1314)	(1265)	(1342)	(970)	(909)	(911)	(899)
Interest income and other	102	99	95	110	59	85	97	91
<b>Consolidated profit before taxes</b>	<b>11,401</b>	<b>10,553</b>	<b>9,779</b>	<b>8,553</b>	<b>7,442</b>	<b>8,757</b>	<b>8,891</b>	<b>8,304</b>
Income taxes	2850.29	2638.35	2444.86	2174	1941	2199	2104	2090
<b>Profit of consolidated companies</b>	<b>8,551</b>	<b>7,915</b>	<b>7,335</b>	<b>6,379</b>	<b>5,501</b>	<b>6,558</b>	<b>6,787</b>	<b>6,214</b>
Less: Net Income (Loss) Attributable to Noncontrolling Interest	52	51	50	50	49	45	47	36
<b>Profit</b>	<b>8,499</b>	<b>7,864</b>	<b>7,285</b>	<b>6,329</b>	<b>5,452</b>	<b>6,513</b>	<b>6,740</b>	<b>6,178</b>
Profit/share	6.07	5.62	5.20	4.39	3.71	4.31	4.37	3.96
Profit/share-diluted	5.99	5.54	5.13	4.36	3.67	4.27	4.32	3.92
<i>Consensus</i>	<i>5.986</i>	<i>5.540</i>	<i>5.129</i>					
<b>Wtd avg shs (mill)</b>								
Basic	1,400	1,400	1,400	1439	1469	1509	1541	1557
Diluted	1,420	1,420	1,420	1452	1485	1527	1560	1575
<b>Cash and cash equivalents</b>				9158	9096	6134	9,375	6297
Accounts receivable, net	7100	6898	6707	6694	6437	6651	6954	7041
	10.40%	10.50%	10.60%	10.7%	10.2%	10.0%	10.5%	10.8%
Inventories	2936	2825	2721	2723	2720	3143	3409	3581
I/S	4.30%	4.30%	4.30%	4.3%	4.3%	4.7%	5.1%	5.5%
Accounts payable	16,726	15,766	14,869	14243	13507	13016	12533	11903
	24.50%	24.00%	23.50%	22.7%	21.4%	19.5%	18.9%	18.2%
Chg in WC	647	602	615	476	1,128	1,052	889	
<b>Sales Growth</b>								
Sales	3.93%	3.82%	0.75%	-0.41%	-5.44%	0.40%	1.41%	
Operating Profit	18.55%	17.92%	17.31%	15.58%	13.25%	14.37%	14.61%	13.91%
Interest expense	-2.00%	-2.00%	-2.00%	-2.14%	-1.54%	-1.36%	-1.37%	-1.37%
Interest income and other	0.15%	0.15%	0.15%	0.18%	0.09%	0.13%	0.15%	0.14%
Tax Rate	25.00%	25.00%	25.00%	25.42%	26.08%	25.11%	23.66%	25.17%

## Income Statement Projection



# BUY: PepsiCo (PEP)

Pepsico, Inc. (PEP)								
	FY	FY	FY	FY	FY	FY	FY	FY
Millions	2019E	2018E	2017E	2016	2015	2014	2013	2012
<b>Sales &amp; Revenues:</b>								
FLNA	18,798	17,601	16,373	15,549	14,782	14,502	14,126	13,574
QFNA	2,707	2,641	2,590	2,564	2,543	2,568	2612	2636
NAB	24,784	23,381	22,058	21,312	20,618	20,171	8350	7780
Latin America	5,640	5,755	5,933	6,820	8,228	9,425	21068	21408
ESSA	9,812	9,912	10,012	10,216	10,510	13,399	13752	13441
AMENA	6,529	6,401	6,306	6,338	6,375	6,618	6,507	6,653
<b>Total</b>	<b>68,271</b>	<b>65,692</b>	<b>63,272</b>	<b>62,799</b>	<b>63,056</b>	<b>66,683</b>	<b>66,415</b>	<b>65,492</b>
<i>Consensus</i>	<i>68,269</i>	<i>65,693</i>	<i>63,261</i>	2,368	2,416	2,625	2663	2689
				3.77%	3.83%	3.94%	4.01%	4.11%
<b>Operating Margin</b>								
FLNA	6,354	5,773	5,239	4,659	4,304	4,054	3,877	3,646
QFNA	839	792	738	653	560	621	617	695
NAB	3,866	3,624	3,309	2,959	2,785	2,421	1242	1059
Latin America	761	777	813	887	-206	1,636	2955	2937
ESSA	1,138	1,130	1,201	1,108	1,081	1,389	1293	1330
AMENA	705	672	650	619	941	985	1174	747
Corporate Unallocated	-1,000	-1,000	-1,000	-1,100	-1,112	-1,525	0	0
<b>Total</b>	<b>12,664</b>	<b>11,769</b>	<b>10,950</b>	<b>9,785</b>	<b>8,353</b>	<b>9,581</b>	<b>11,158</b>	<b>10,414</b>

## Income Statement Projection - Segments

# BUY: PepsiCo (PEP)

Sales Growth YoY									
FLNA	6.80%	7.50%	5.30%	5.19%	1.93%	2.66%	4.07%		
QFNA	2.50%	2.00%	1.00%	0.83%	-0.97%	-1.68%	-0.91%		
NAB	6.00%	6.00%	3.50%	3.37%	2.22%	141.57%	7.33%		
Latin America	-2.00%	-3.00%	-13.00%	-17.11%	-12.70%	-55.26%	-1.59%		
ESSA	-1.00%	-1.00%	-2.00%	-2.80%	-21.56%	-2.57%	2.31%		
AMENA	2.00%	1.50%	-0.50%	-0.58%	-3.67%	1.71%	-2.19%		
Total	3.93%	3.82%	0.75%	-0.41%	-5.44%	0.40%	1.41%		
Operating Margin									
FLNA	33.80%	32.80%	32.00%	29.96%	29.12%	27.95%	27.45%	26.86%	
Chg YoY	1.00%	0.80%	2.04%	0.85%	1.16%	0.51%	0.59%		
QFNA	31.00%	30.00%	28.50%	25.47%	22.02%	24.18%	23.62%	26.37%	
Chg YoY	1.00%	1.50%	3.03%	3.45%	-2.16%	0.56%	-2.74%		
NAB	15.60%	15.50%	15.00%	13.88%	13.51%	12.00%	14.87%	13.61%	
Chg YoY	0.10%	0.50%	1.12%	0.38%	1.51%	-2.87%	1.26%		
Latin America	13.50%	13.50%	13.70%	13.01%	-2.50%	17.36%	14.03%	13.72%	
Chg YoY	0.00%	-0.20%	0.69%	15.51%	-19.86%	3.33%	0.31%		
ESSA	11.60%	11.40%	12.00%	10.85%	10.29%	10.37%	9.40%	9.90%	
Chg YoY	0.20%	-0.60%	1.15%	0.56%	-0.08%	0.96%	-0.49%		
AMENA	10.80%	10.50%	10.30%	9.77%	14.76%	14.88%	18.04%	11.23%	
Chg YoY	0.30%	0.20%	0.53%	-4.99%	-0.12%	-3.16%	6.81%		
Total	18.55%	17.92%	17.31%	15.58%	13.25%	14.37%	16.80%	15.90%	
Chg YoY	0.63%	0.61%	1.72%	2.33%	-1.12%	-2.43%	0.90%		

## Income Statement Projection - Segments

# BUY: PepsiCo (PEP)

Pepsico, Inc. (PEP)											
<b>Analyst:</b>	Gloria Cen									<b>Current Price</b>	\$ 111.58
<b>Date:</b>	2/21/17									<b>Implied equity value/share</b>	\$ 118.74
			<b>Terminal Discount Rate =</b>							9.3%	
			<b>Terminal FCF Growth =</b>							4.0%	
<b>Year</b>	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
<b>Revenue</b>	63,272	65,692	68,271	71,002	73,913	77,018	80,329	83,864	87,638	91,669	93,503
		3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	2.0%
<b>Operating Income</b>	10,950	11,769	12,664	12,993	13,674	14,402	15,182	15,934	16,651	17,417	17,765
Operating Margin	17.3%	17.9%	18.5%	18.3%	18.5%	18.7%	18.9%	19.0%	19.0%	19.0%	19.0%
<b>Interest and Other</b>	(1,171)	(1,215)	(1,263)	(1,349)	(1,404)	(1,463)	(1,526)	(1,593)	(1,665)	(1,742)	(1,777)
Interest % of Sales	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%
<b>Taxes</b>	2,445	2,638	2,850	2,911	3,067	3,235	3,414	3,585	3,747	3,919	3,997
Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>Net Income</b>	7,285	7,864	8,499	8,733	9,202	9,704	10,242	10,756	11,240	11,757	11,992
% Growth		8.0%	8.1%	2.8%	5.4%	5.5%	5.5%	5.0%	4.5%	4.6%	2.0%
<b>Add Depreciation/Amort</b>	2,300	2,299	2,321	2,343	2,365	2,388	2,410	2,516	2,629	2,750	2,805
% of Sales	3.6%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Plus/(minus) Changes WC</b>	615	602	647	639	665	693	723	755	789	825	842
% of Sales	1.0%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
<b>Subtract Cap Ex</b>	3,000	2,956	2,936	2,840	2,735	2,696	2,651	2,516	2,629	2,750	2,805
Capex % of sales	4.7%	4.5%	4.3%	4.0%	3.7%	3.5%	3.3%	3.0%	3.0%	3.0%	3.0%
<b>Free Cash Flow</b>	7,200	7,809	8,531	8,875	9,498	10,089	10,724	11,510	12,028	12,582	12,833
% Growth		8.5%	9.2%	4.0%	7.0%	6.2%	6.3%	7.3%	4.5%	4.6%	2.0%
<b>NPV of Cash Flows</b>	63,655	38%									
<b>NPV of terminal value</b>	104,953	62%								<b>Terminal Value</b>	254,220
<b>Projected Equity Value</b>	168,609	100%								<b>Free Cash Yield</b>	5.05%
<b>Free Cash Flow Yield</b>	4.54%									<b>Terminal P/E</b>	21.2
<b>Current P/E</b>	21.8	20.1	18.6							<b>Terminal EV/EBITDA</b>	13.7
<i>Projected P/E</i>	23.1	21.4	19.8								
<b>Current EV/EBITDA</b>	14.1	13.2	12.4								
<i>Projected EV/EBITDA</i>	14.8	14.0	13.1								
<b>Shares Outstanding</b>	1420										

DCF Analysis



# BUY: PepsiCo (PEP)

		Discount Rate						
Terminal Growth Rate	PEP Price	8.0%	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%
	2.0%	\$ 118.80	\$ 109.21	\$ 101.00	\$ 93.89	\$ 87.68	\$ 82.21	\$ 77.36
	2.5%	\$ 125.65	\$ 114.77	\$ 105.57	\$ 97.69	\$ 90.88	\$ 84.92	\$ 79.67
	3.0%	\$ 133.87	\$ 121.34	\$ 110.90	\$ 102.08	\$ 94.53	\$ 87.99	\$ 82.27
	3.5%	\$ 143.92	\$ 129.23	\$ 117.21	\$ 107.20	\$ 98.74	\$ 91.49	\$ 85.21
	4.0%	\$ 156.48	\$ 138.86	\$ 124.77	\$ 113.25	\$ 103.65	\$ 95.53	\$ 88.58
	4.5%	\$ 172.63	\$ 150.91	\$ 134.02	\$ 120.51	\$ 109.46	\$ 100.25	\$ 92.46
	5.0%	\$ 194.15	\$ 166.40	\$ 145.58	\$ 129.39	\$ 116.43	\$ 105.82	\$ 96.99

**Sensitivity Analysis**




# BUY: PepsiCo (PEP)

		Current Values:	TAX=20%	TAX=15%
Changing Cells:				
	<b>Tax Rate</b>	25.0%	20.0%	15.0%
Result Cells:				
	<b>Implied equity value/share</b>	\$ 118.74	\$ 125.55	\$ 132.36
	<b>Upside/(Downside) to DCF</b>	6.4%	12.5%	18.6%

## Tax Rate Scenario Summary



# BUY: PepsiCo (PEP)

PEP US \$ C **111.86** -0.32  N111.85 / 111.86 N 467 x 104  
 On 31 Mar d Vol 3,744,389 0 112.31N H 112.47D L 111.83Y Val 419.791M

PEP US Equity 90 Actions 97 Output to Excel 98 Settings Consensus Overview

PepsiCo Inc Periodicity **Annuals** Source **Standard** Cur **USD**  
 Broker ----- Guidance

1 Values 2 Growth 3 Retail

	FY 2016 Act	FY 2017 Est		FY 2018 Est		FY 2019 Est		FY 2020 Est	
12 Months Ending	12/31/2016	12/31/2017	#	12/31/2018	#	12/31/2019	#	12/31/2020	#
11) EPS, Adj+	4.850	5.124	23	5.535	22	5.981	14	6.415	4
12) EPS, GAAP	4.360	5.125	22	5.538	21	5.991	13	6.415	4
13) Revenue	62.799B	63.253B	19	65.663B	19	68.400B	13	71.351B	4
14) Gross Margin %	54.956	55.360	10	55.778	9	55.850	6	55.700	1
15) Operating Profit	9.785B	10.769B	17	11.418B	16	12.089B	10	12.557B	1
16) EBIT	10.393B	10.745B	10	11.355B	9	12.016B	5		
17) EBITDA	12.761B	13.203B	16	13.943B	14	14.768B	10	15.896B	2
18) Pre-Tax Profit	9.161B	9.759B	16	10.446B	15	11.159B	9	11.641B	1
19) Net Income Adj+	7.040B	7.339B	17	7.828B	18	8.320B	12	8.616B	3
20) Net Income, GAAP	6.329B	7.339B	17	7.828B	18	8.320B	12	8.616B	3

Current Multiples 5) Hide Multiples

	Last 4 Qtrs Act	Next 4 Qtrs Est	FY 2017	FY 2018	FY 2019
Price/EPS, Adj+	23.11	21.86	21.83	20.21	18.70
Price/Book	14.45	14.76	12.94	12.28	11.55
Price/Cash Flow	15.50	15.73	16.99	16.75	16.18
EV/Revenue	2.88	2.86	2.86	2.75	2.64
EV/EBITDA	14.87	13.68	13.69	12.96	12.24
EV/EBIT	18.47	16.78	16.82	15.92	15.04
EV/OPP	18.47	16.75	16.78	15.83	14.95
Dividend Yield	2.65	2.85	2.83	3.02	3.22

\*Period Notes << < More Periods > >> Reported, Estimated

## Consensus View on PepsiCo



# BUY: PepsiCo (PEP)

## To Sum Up



Undervalued 118.74 ↔  
111.58 6.4% upside



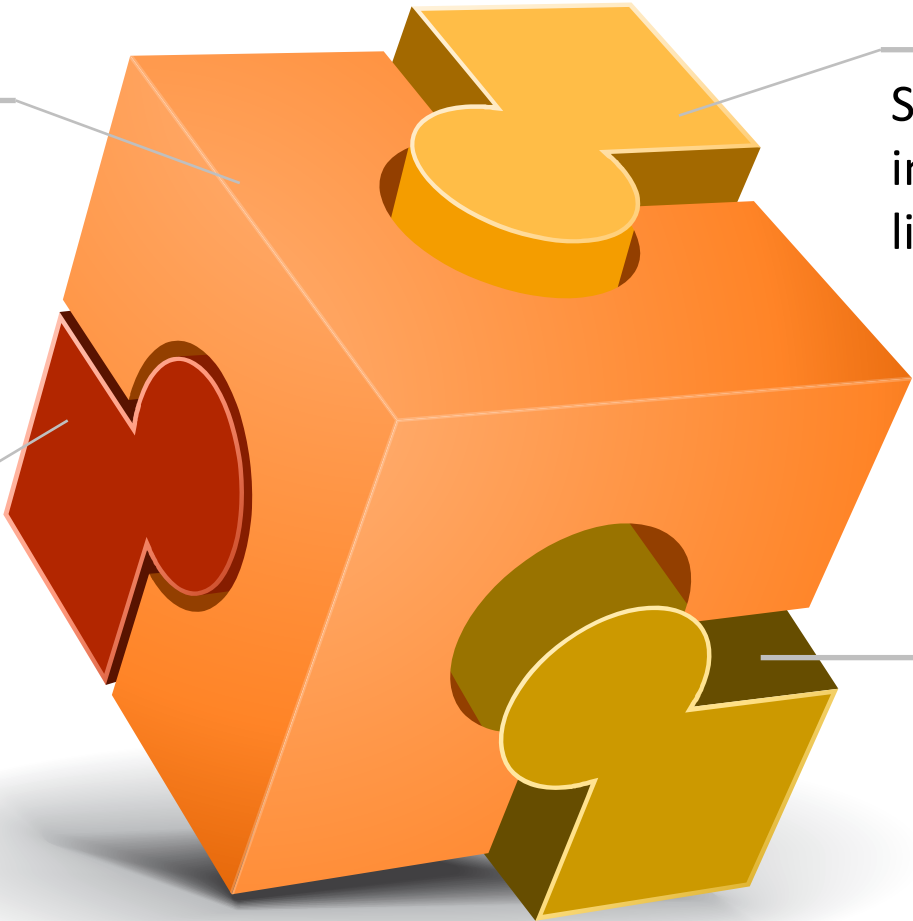
Strong fundamentals, i.e.  
improved profitability &  
liquidity



Diversified product lines



Higher margins than  
peers



# Recommendation: SELL



# SELL: Proctor & Gamble (PG)



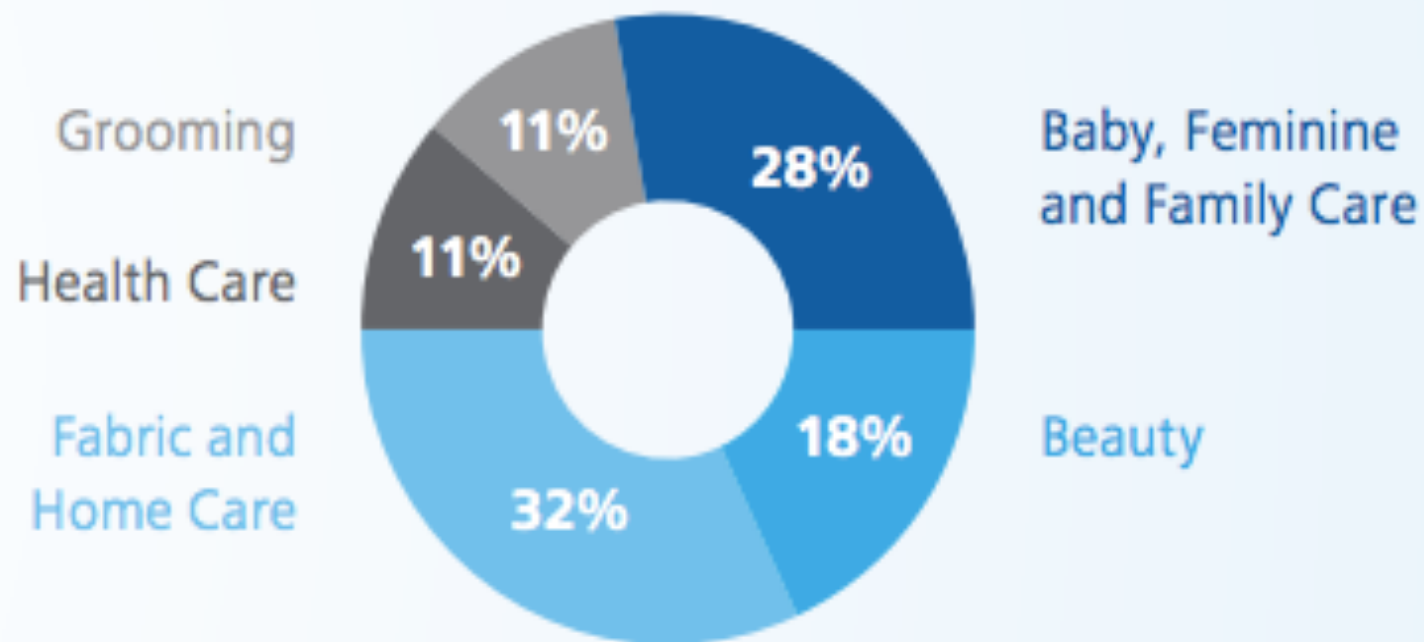
SIM% (28, Feb)	1.86 %
Current Price	\$89.54
Target Price	\$87.13

Dividend Yield	\$2.68 (2.98%)
P/E	16.44
Beta	0.53



# SELL: Proctor & Gamble (PG)

## 2016 NET SALES BY BUSINESS SEGMENT<sup>(2)</sup>



### Key Business Drivers:

- Long standing brand name, brand value and brand reputation
- Large market share
- Sector leader
- Consistent innovation with new products
- Multi-national operations

# SELL: Proctor & Gamble (PG)

**P&G**

Absolute Basis	High	Low	Median	Current
P/E	23.6484	15.6296	19.7427	23.3255
P/B	4.3903	2.4656	3.3426	4.0537
P/S	3.637	1.9521	2.7011	3.5264
P/EBITDA	15.9704	9.1509	12.9207	14.6798

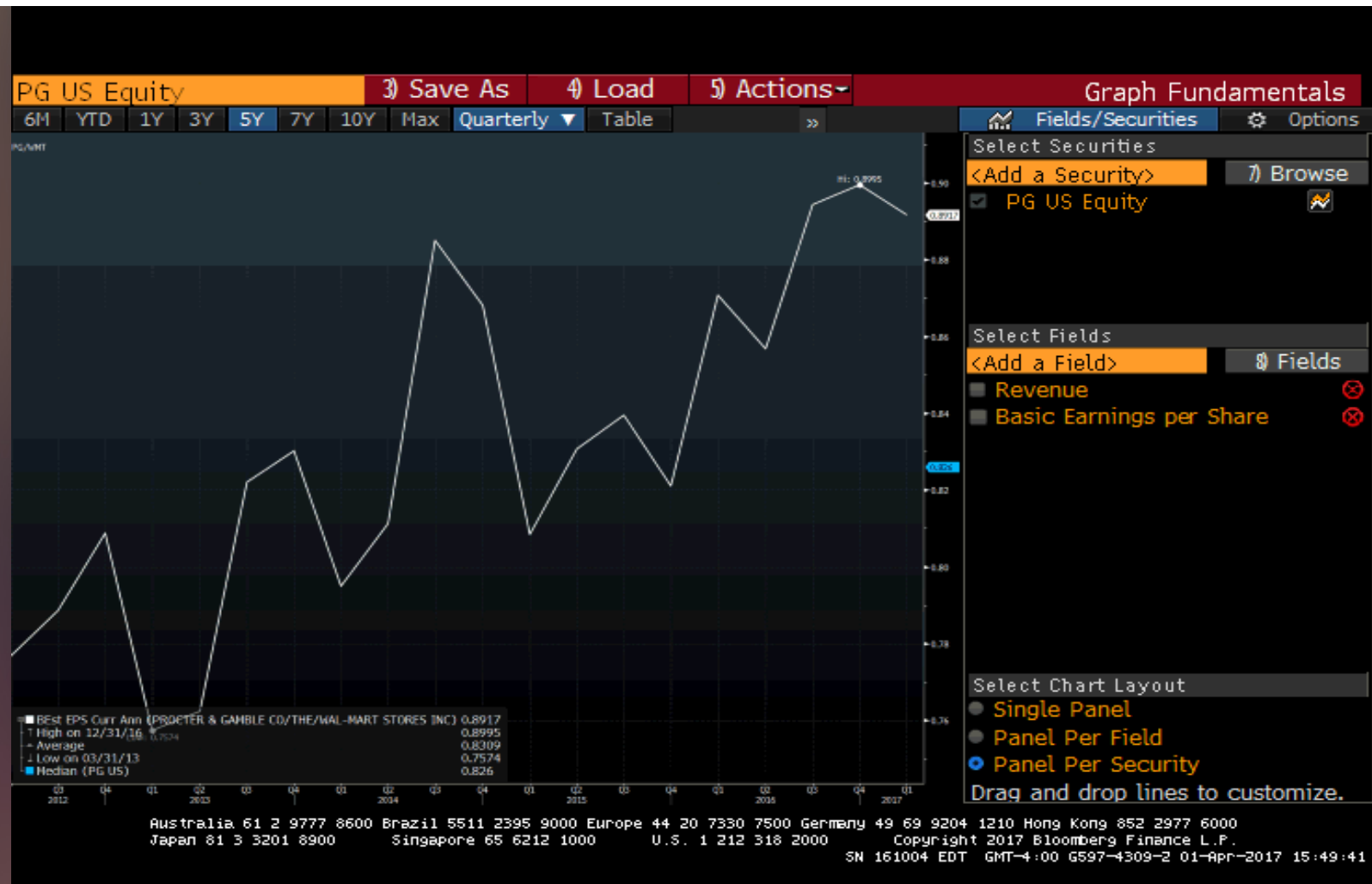
**Wal-Mart**

Absolute Basis	High	Low	Median	Current
P/E	17.8915	12.0856	14.9826	16.6852
P/B	3.3931	2.1243	2.9061	2.774
P/S	0.5916	0.3729	0.4933	0.4416
P/EBITDA	8.172	5.0175	6.892	6.8055

**Key Ratio Comparisons**



# SELL: Proctor & Gamble (PG)



WMT vs. PG – EPS Comparison



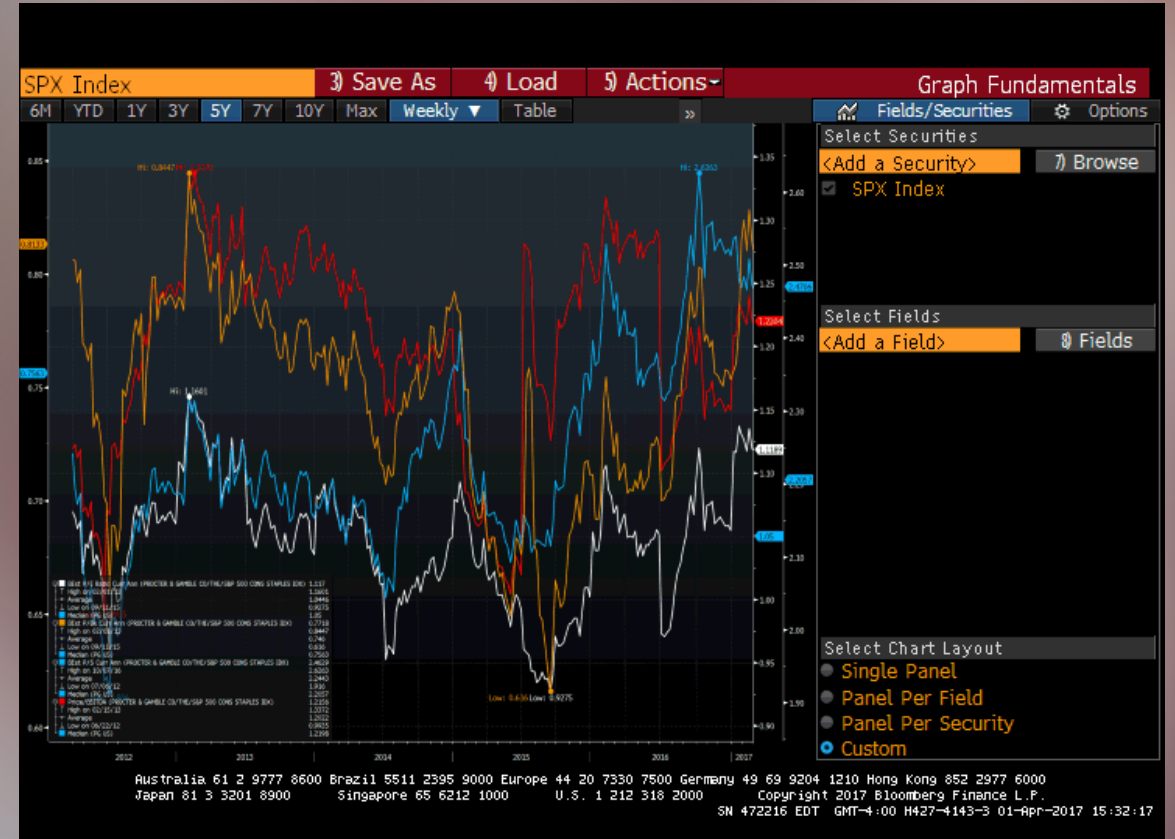
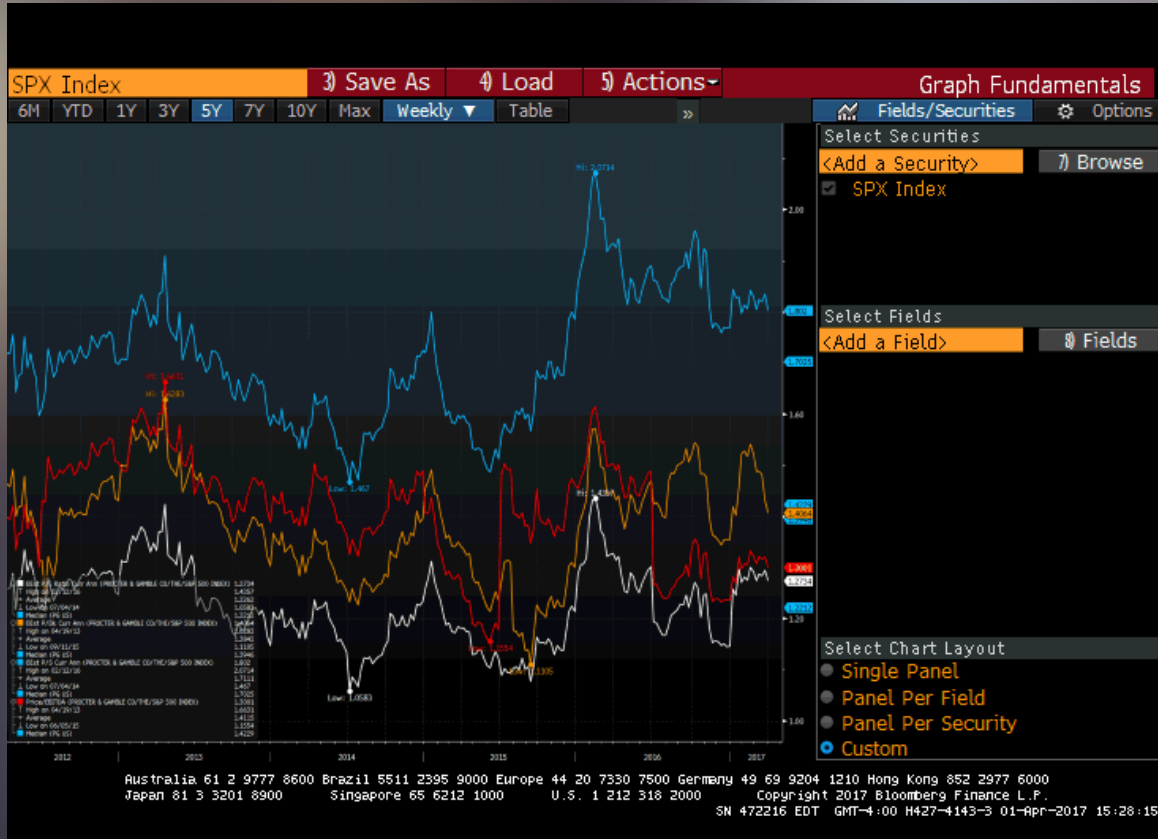


# SELL: Proctor & Gamble (PG)

Ticker	P/E TTM	P/S TTM	P/B	P/CF TTM	EV/EBITDA TTM
Average	21.17	2.52	14.96	24.92	12.74
P&G	22.16	3.53	4.41	24.27	14.38
Colgate-Palmolive Co	24.57	4.19	--	25.61	15.47
Kimberly-Clark Corp	20.53	2.55	--	19.22	12.77
Estee Lauder Cos Inc	23.46	2.65	8.18	27.35	14.95

**Comparison to Peers** About the average, not one of the best

# SELL: Proctor & Gamble (PG)



P&G Comparison to S&P 500

P&G Comparison to Consumer Staples Sector

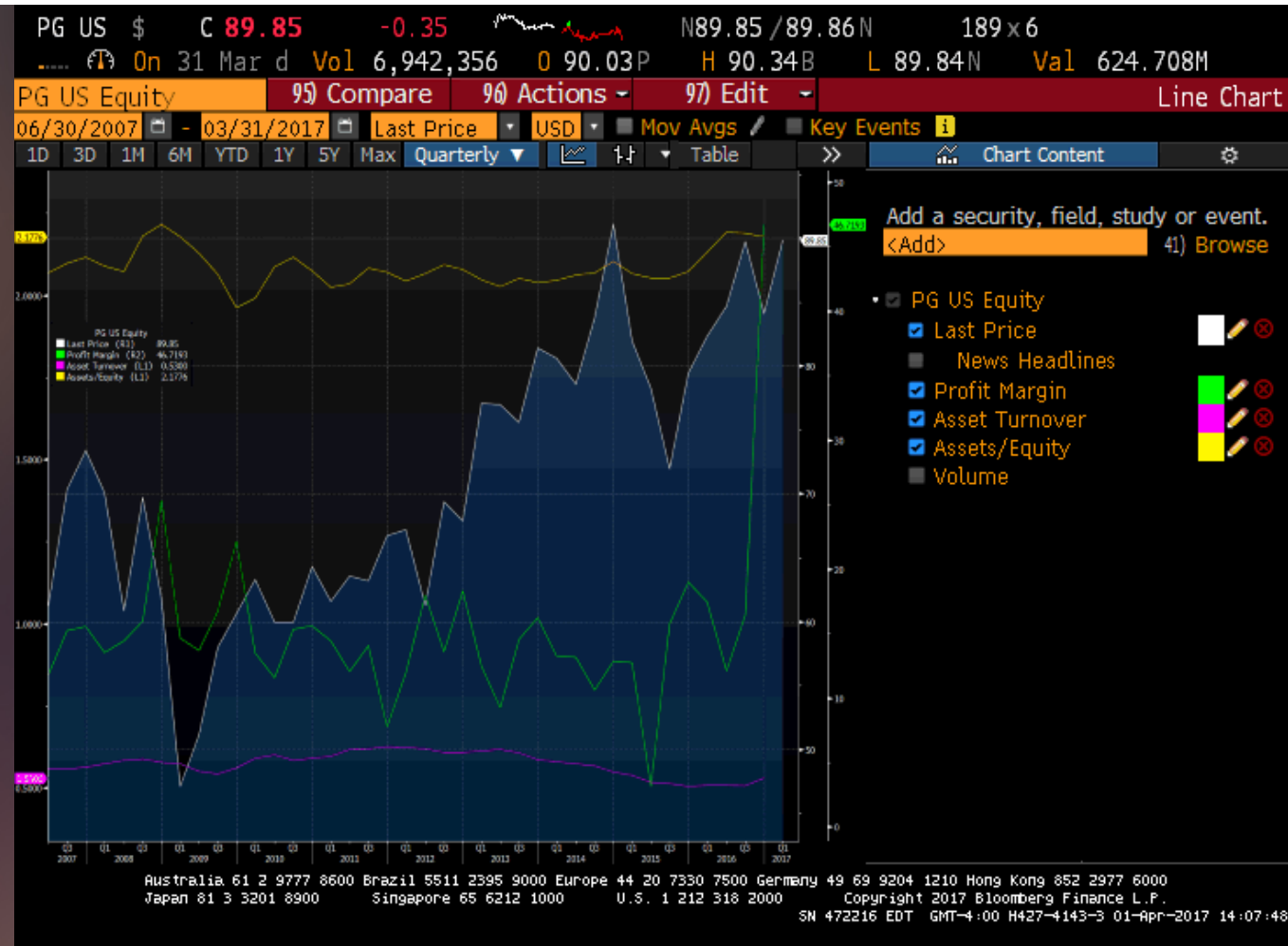
# SELL: Proctor & Gamble (PG)



Wal-Mart Comparison to S&P 500

Wal-Mart Comparison to Consumer Staples Sector

# SELL: Proctor & Gamble (PG)

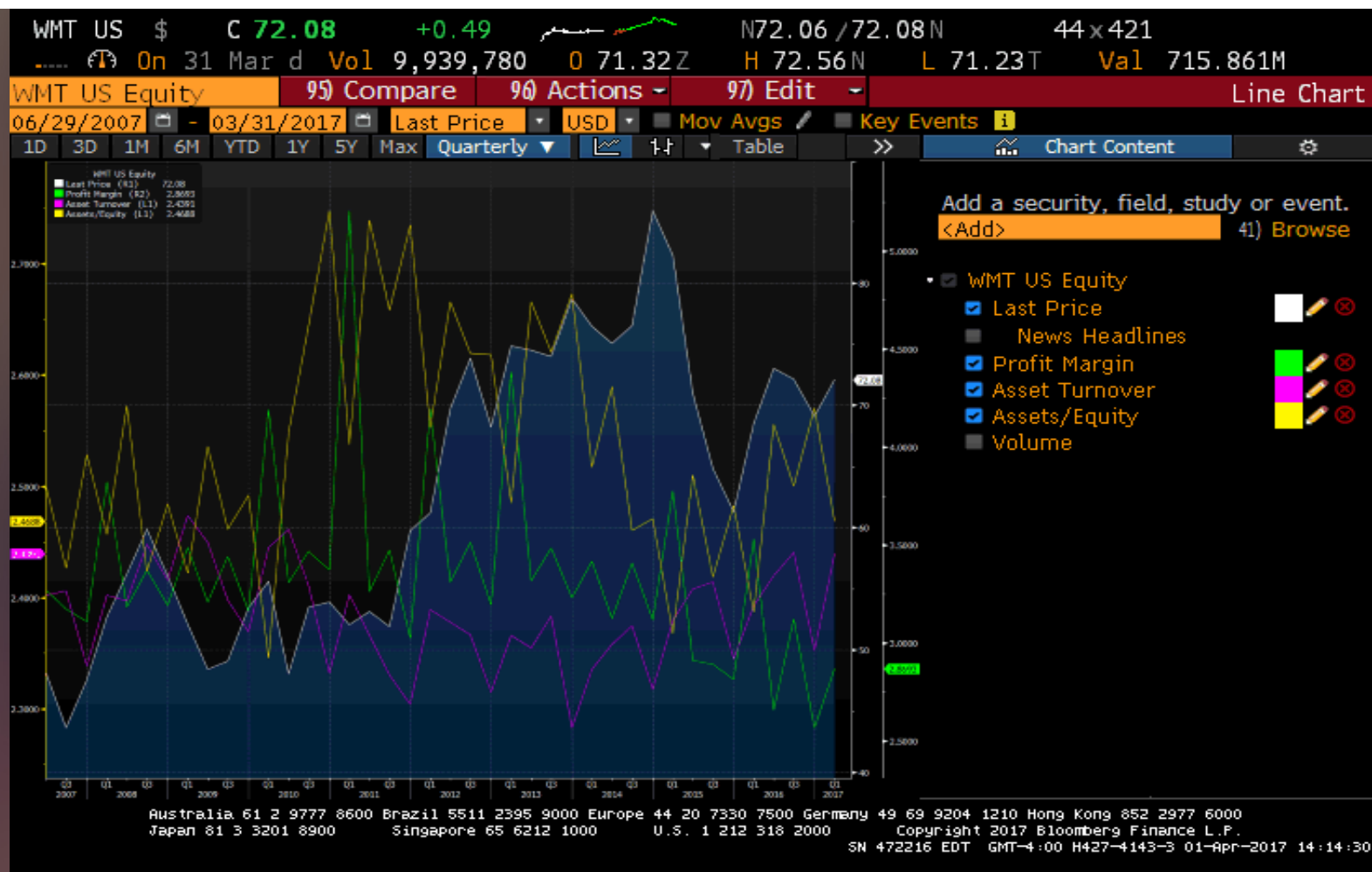


**P&G ROE Breakdown** :  $ROE = (\text{net profit margin}) * (\text{asset turnover}) * (\text{equity multiplier})$

$= (\text{net income} / \text{sales}) * (\text{sales} / \text{assets}) * (\text{assets} / \text{shareholders' equity})$



# SELL: Proctor & Gamble (PG)



**Wal-Mart ROE Breakdown** :  $ROE = (\text{net profit margin}) * (\text{asset turnover}) * (\text{equity multiplier})$   
 $= (\text{net income} / \text{sales}) * (\text{sales} / \text{assets}) * (\text{assets} / \text{shareholders' equity})$



# SELL: Proctor & Gamble (PG)

Year	Last reported year	1 yr forward estimate	2 yr forward estimate	3 yr forward estimate
Revenue	65.30B	66.60B	69.98B	72.08B
% growth from prior year	-14%	2%	5%	3%
Shares Outstanding	2556.5M			
Earnings Per Share	3.49	4.67	4.15	4.52
% growth from prior year	14%	33.8%	-11.1%	8.9%

**Self Projections**

# SELL: Proctor & Gamble (PG)

P&G(Procter & Gamble)												
Analyst: Fuming Cao		Terminal Discount Rate= 9.0%										
Date: 4/3/2017		Terminal FCF Growth= 3.0%										
Year	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
<b>Revenue</b>	66,605	68,270	69,977	72,076	74,238	76,466	78,760	81,122	83,556	86,063	88,645	
%Growth		2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
<b>Operating Income</b>	13,454	14,425	13,016	13,406	13,808	14,223	14,649	15,089	15,541	16,008	16,488	
Operating Margin	20.2%	21.1%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	
<b>Interest</b>	(591)	(605)	(620)	(639)	(658)	(678)	(698)	(719)	(741)	(763)	(786)	
Interest% of Sales	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	
<b>Taxes</b>	3,345	3,587	3,234	3,192	3,287	3,386	3,487	3,592	3,700	3,811	3,925	
Tax Rate	25.00%	25.00%	25.00%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
<b>Net Income</b>	10,528	11,263	10,229	9,576	9,863	10,159	10,463	10,777	11,101	11,434	11,777	
%Growth		7.0%	-9.2%	-6.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
<b>Add Depreciation/ Amort</b>	3,531	4,051	4,648	4,788	4,931	5,079	5,231	5,388	5,550	5,717	5,888	
% of Sales	5.3%	5.9%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	
<b>Plus(minus) Changes WC</b>	1,481	1,518	1,556	1,603	1,651	1,701	1,752	1,804	1,858	1,914	1,971	
% of Sales	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	
<b>Subtract Cap Ex</b>	-3,373	-3,434	-3,495	-3,600	-3,708	-3,819	-3,934	-4,052	-4,173	-4,299	-4,428	
Capex % of Sales	-5.1%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	
<b>Free Cash Flow</b>	12,167	13,399	12,938	12,366	12,737	13,119	13,513	13,918	14,336	14,766	15,209	
% Growth		10.1%	-3.4%	-4.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
<b>NPV of Cash Flows</b>	86,370	44%										
<b>NPV of terminal value</b>	110,284	56%								<b>Terminal Value</b>	<b>261,082</b>	
<b>Projected Equity Value</b>	196,653	100%										
<b>Free Cash Flow Yield</b>	6.01%									<b>Free Cash Yield</b>	<b>5.83%</b>	
<b>Current P/E</b>	19.2	18.0	19.8								<b>Terminal P/E</b>	<b>22.2</b>
<i>Projected P/E</i>	18.7	17.5	19.2									
<b>Current EV/EBITDA</b>	11.9	10.9	11.4								<b>Terminal EV/EBITDA</b>	<b>11.6</b>
<i>Projected EV/EBITDA</i>	11.5	10.6	11.1									
<b>Shares Outstanding</b>	2,257.1											
<b>Current Price</b>	\$ 89.65											
<b>Implied equity value/share</b>	\$ 87.13											
<b>Upside/(Downside) to DCF</b>	-2.8%											
<b>Debt</b>	12,900											
<b>Cash</b>	13,450											
<b>Cash/share</b>	5.96											

DCF Analysis

# SELL: Proctor & Gamble (PG)

		Discount Rate									
		8.00%	8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.75%	10.00%	
Terminal Growth Rate	2.00%	\$ 93.12	\$ 89.37	\$ 85.91	\$ 82.71	\$ 79.74	\$ 76.97	\$ 74.39	\$ 71.98	\$ 69.72	
	2.25%	\$ 95.56	\$ 91.57	\$ 87.90	\$ 84.52	\$ 81.38	\$ 78.47	\$ 75.76	\$ 73.23	\$ 70.87	
	2.50%	\$ 98.23	\$ 93.97	\$ 90.06	\$ 86.47	\$ 83.15	\$ 80.08	\$ 77.23	\$ 74.57	\$ 72.10	
	2.75%	\$ 101.15	\$ 96.58	\$ 92.40	\$ 88.58	\$ 85.06	\$ 81.81	\$ 78.80	\$ 76.01	\$ 73.41	
	3.00%	\$ 104.36	\$ 99.43	\$ 94.96	\$ 90.87	\$ 87.13	\$ 83.68	\$ 80.50	\$ 77.55	\$ 74.82	
	3.25%	\$ 107.90	\$ 102.58	\$ 97.76	\$ 93.38	\$ 89.38	\$ 85.71	\$ 82.33	\$ 79.22	\$ 76.33	
	3.50%	\$ 111.85	\$ 106.05	\$ 100.84	\$ 96.12	\$ 91.83	\$ 87.91	\$ 84.32	\$ 81.01	\$ 77.96	
	3.75%	\$ 116.25	\$ 109.91	\$ 104.24	\$ 99.14	\$ 94.51	\$ 90.31	\$ 86.48	\$ 82.96	\$ 79.72	
	4.00%	\$ 121.21	\$ 114.23	\$ 108.02	\$ 102.47	\$ 97.47	\$ 92.94	\$ 88.83	\$ 85.07	\$ 81.62	

**Sensitivity Analysis**



# SELL: Proctor & Gamble (PG)

PG US \$ C **89.85** -0.35  N89.85 / 89.86N 189x6  
 On 31 Mar d Vol 6,942,356 0 90.03P H 90.34B L 89.84N Val 624.708M

PG US Equity 90 Actions - 97) Output to Excel 98) Settings Consensus Overview  
 Procter & Gamble Co/The Periodicity **Annuals** Source **Standard** Cur **USD**  
 Broker ----- Guidance

1) Values 2) Growth

	FY 2016 Act	FY 2017 Est		FY 2018 Est		FY 2019 Est		FY 2020 Est	
12 Months Ending	06/30/2016	06/30/2017	#	06/30/2018	#	06/30/2019	#	06/30/2020	#
11) EPS, Adj+	3.670	3.852	23	4.122	22	4.412	13	4.700	3
12) EPS, GAAP	3.490	3.710	5	4.097	12	4.416	7	4.693	3
13) Revenue	65.299B	65.138B	18	66.553B	18	68.979B	10	71.923B	3
14) Gross Margin %	50.558	51.052	13	51.583	14	52.467	6	52.600	2
15) Operating Profit	13.441B	14.151B	14	14.903B	14	15.766B	8	16.847B	3
16) EBIT	14.047B	14.187B	7	14.942B	8	15.850B	5	17.123B	1
17) EBITDA	17.125B	17.201B	12	17.949B	13	18.787B	8	20.108B	2
18) Pre-Tax Profit	13.974B	13.835B	17	14.691B	17	15.530B	9	16.816B	2
19) Net Income Adj+	10.441B	10.463B	16	11.025B	17	11.688B	9	12.698B	2
20) Net Income, GAAP	10.027B	11.481B ↑	4	11.016B	8	11.669B	4		

Current Multiples 5) Hide Multiples

	Last 4 Qtrs Act	Next 4 Qtrs Est	FY 2017	FY 2018	FY 2019
Price/EPS, Adj+	23.90	22.68	23.33	21.80	20.36
Price/Book	4.41	4.24	4.05	4.02	3.91
Price/Cash Flow	17.93	16.52	19.33	16.53	15.47
EV/Revenue	3.79	3.77	3.80	3.72	3.59
EV/EBITDA	14.97	14.07	14.38	13.78	13.17
EV/EBIT	18.37	17.08	17.44	16.56	15.61
EV/OPP	18.37	17.07	17.48	16.60	15.69
Dividend Yield	2.97	3.09	3.02	3.16	3.37

\*Period Notes << < More Periods > >> Reported, Estimated  
 Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2017 Bloomberg Finance L.P.  
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## Consensus View P&G

# SELL: Proctor & Gamble (PG)

WMT US \$ C 72.08 +0.49 N72.06 / 72.08N 44x421  
 On 31 Mar d Vol 9,939,780 0 71.32Z H 72.56N L 71.23T Val 715.861M

WMT US Equity 90 Actions - 97 Output to Excel 90 Settings Consensus Overview  
 Wal-Mart Stores Inc Periodicity Annuals Source Standard Cur USD  
 Broker ----- Guidance

Estimates for several more measures are available | MODL >

1 Values 2 Growth 3 Retail

	FY 2017 Act	FY 2018 Est		FY 2019 Est		FY 2020 Est		FY 2021 Est	
12 Months Ending	01/31/2017	01/31/2018	#	01/31/2019	#	01/31/2020	#	01/31/2021	#
11) EPS, Adj+	4.320	4.320	35	4.539	32	4.908	13	5.617	3
12) EPS, GAAP	4.380	4.337	15	4.576	15	4.950	6	5.540	3
13) Revenue	485.873B	495.084B	26	506.829B	26	522.366B	10	546.128B	3
14) Gross Margin %	24.944	24.910	12	24.869	12	24.856	5	24.530	4
15) Operating Profit	22.764B	22.365B	24	22.928B	23	23.889B	8	25.700B	1
16) EBIT	22.599B	22.291B	13	22.608B	13	23.851B	6	25.513B	3
17) EBITDA	32.679B	32.473B	23	33.045B	22	34.094B	9	36.249B	2
18) Pre-Tax Profit	20.332B	20.091B	26	20.579B	25	21.535B	10	23.222B	3
19) Net Income Adj+	13.456B	13.036B	28	13.364B	28	13.945B	10	15.049B	3
20) Net Income, GAAP	13.643B	13.047B	14	13.412B	14	14.456B	5	15.809B	3

Current Multiples 5) Hide Multiples

	Last 4 Qtrs Act	Next 4 Qtrs Est	FY 2018	FY 2019	FY 2020
Price/EPS, Adj+	16.65	16.69	16.69	15.88	14.69
Price/Book	2.82	2.81	2.77	2.70	2.67
Price/Cash Flow	7.08	4.93	9.25	8.63	8.02
EV/Revenue	0.53	0.52	0.52	0.51	0.49
EV/EBITDA	7.83	7.50	7.92	7.78	7.54
EV/EBIT	11.30	11.49	11.54	11.38	10.78
EV/OPP	11.30	11.51	11.50	11.22	10.77
Dividend Yield	2.77	2.86	2.85	2.96	3.11

\*Period Notes << < More Periods > >> Reported, Estimated

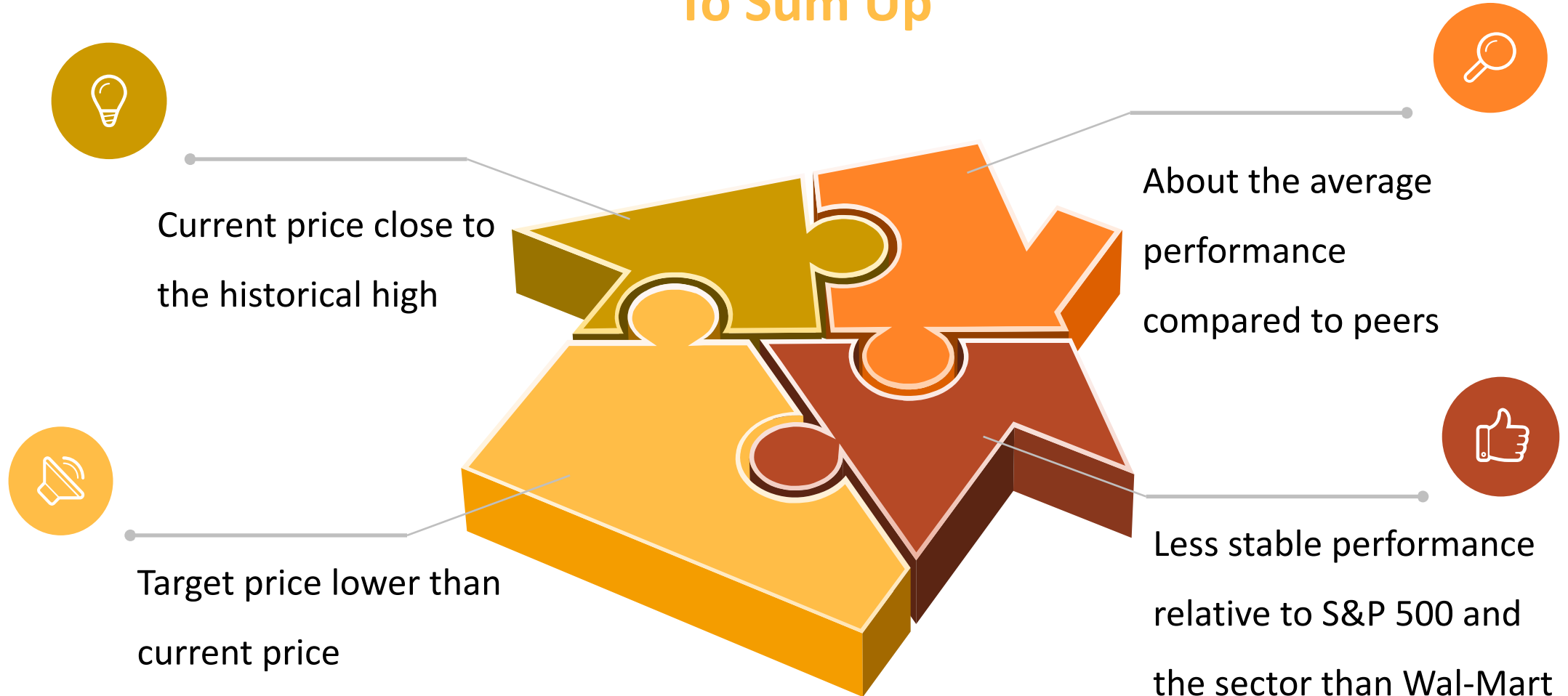
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2017 Bloomberg Finance L.P.  
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## Consensus View Wal-Mart





# SELL: Proctor & Gamble (PG)

## To Sum Up



# So, our recommendations are:

## Consumer Staples

Company	 Walmart	 Tyson	 PEPSICO	 Procter&Gamble
Ticker	WMT	TSN	PEP	PG
Current Price	\$72.05	\$61.97	\$111.58	\$89.54
Target Price	\$71.36	\$71	\$119	\$87.13
Recommendation	HOLD	HOLD	BUY	SELL
			186 bp	186 bp

**THANKS FOR WATCHING !!!**  
**Questions ???**

