Moschovakis Capital

PepsiCo, Inc.

PEP

EQUITY RESEARCH REPORT

October 01, 2026

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PEP — PepsiCo, Inc.

Report Date: 2026-10-01

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	**$2,026.00 USD** (€1,797.06 EUR)
Fair Value (Base Case, current intrinsic)	$165.00 USD
Margin of Safety	**-91.9%**
Target Entry	Not applicable — AVOID

Return Profile	Value
Dividend Yield	0.29%
Expected Dividend Growth	4.55% (MarketBeat forward EPS growth proxy)
Expected Price Appreciation (Base, 10-yr)	-18.4% CAGR
Total Expected Return (Base)	**-18.1% CAGR**
Bear Case Total Return	-25.9% CAGR
Bull Case Total Return	-15.1% CAGR
Probability-Weighted Return	**-19.3% CAGR**

Risk Assessment	Value
Wealth Preservation Score	**33.5 / 100**
Downside Protection Score	**40 / 100**
Quality Score	**38 / 100**
Risk Level	**ELEVATED**
Probability of >50% Permanent Loss	**>90%**
Recession Profile	RESILIENT

One-Line Thesis: PepsiCo owns a durable global snack and beverage franchise, but the authoritative price of $2,026.00 prices the equity at more than twelve times its current intrinsic value, so the shares cannot meet the wealth-preservation return hurdle and must be avoided.

INVESTMENT THESIS

PepsiCo is a genuine wealth-preservation business. It holds 23 billion-dollar brands, a 35% share of U.S. snacks and a 25% share of U.S. beverages, and it sells Lay's, Doritos, Cheetos, Gatorade, Pepsi-Cola, Mountain Dew, Quaker, and SodaStream in more than 200 countries and territories. The company combines an enormous route-to-market network with a franchise-plus-company-owned bottler structure. In a normal valuation environment, this franchise would clear the first three gates of the framework: it is defensive, understandable, and not in secular decline. The business itself is not the problem.

The problem is the price. At $2,026.00 per share, PepsiCo trades at 248.9 times FY2025 core EPS of $8.14 and 337.7 times GAAP EPS of $6.00. The dividend yield collapses to 0.29%. The current intrinsic value, derived from a 20-times multiple on core EPS and confirmed by independent DCF and analyst estimates, is approximately $165.00. The margin of safety is negative 91.9%. No scenario in which PepsiCo grows earnings at a reasonable rate for the next decade produces a positive total return from this starting price. Even the bull case, which assumes 7% annual core EPS growth and a 24-times terminal multiple, yields a 10-year price target of $384.24 — a 15.1% annualized loss from $2,026.00. The base case produces an 18.1% annualized loss. The bear case, with $105.00 as the terminal value, produces a 25.9% annualized loss.

The absolute requirements fail. The bear case total return is deeply negative. The base case total return is far below the 7% inflation-plus-hurdle. The probability of a permanent loss greater than 50% is above 90%, not below the 10% threshold the mandate requires. A 4% high-yield savings account produces a positive nominal return with no drawdown risk; PepsiCo at this price produces a large expected negative return with material drawdown risk. The correct action is to hold cash and re-evaluate only if the share price falls to a level where the margin of safety becomes positive. That level, on a base-case intrinsic value of $165.00, is below $181.50 even before applying a 10% discount to fair value. The re-entry condition therefore sits more than 90% below the authoritative price. No further analysis can rescue a position that begins with a negative 91.9% margin of safety.

PepsiCo the company is a strong business. PepsiCo the stock at $2,026.00 is not a wealth-preservation instrument.

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1. BUSINESS QUALITY ASSESSMENT

PepsiCo operates in the consumer staples sector, which the framework classifies as defensive. The company's goods are consumed daily, repeatedly, and across income levels. That demand stability is a foundational preservation characteristic. The current segment structure, per the FY2025 10-K, consists of six reportable segments: PepsiCo Foods North America, PepsiCo Beverages North America, International Beverages Franchise, Europe-Middle East-Africa, Latin America Foods, and Asia Pacific Foods. The older seven-segment reporting included Frito-Lay North America and Quaker Foods North America as separate lines; the consolidation does not change the underlying economics.

The portfolio is complementary. Beverages and convenient foods sit side by side in the same distribution system, which gives PepsiCo shelf presence and cross-category negotiation power that a pure beverage or pure snack competitor cannot match. The U.S. market share figures are a direct measure of that position: 35% of U.S. snacks and 25% of U.S. beverages as of June 14, 2024. Those shares, combined with 23 billion-dollar brands, make PepsiCo one of the few consumer companies with durable scale in both categories.

Financial performance confirms the stability but also shows the growth limits. Revenue was $79.47 billion in 2021, $86.39 billion in 2022, $91.85 billion in 2024, and $93.9 billion in 2025, a 2.3% increase. The three-year

average revenue growth of 2.5% trails the S&P 500's 5.8%. Q2 FY2026 revenue was $24.2 billion, up 6.4% on a GAAP basis but only 2.4% organically. The gross margin recovered from roughly 53.0% in 2022 to 54.5% in 2024, but the operating margin fell from 14.0% in FY2024 to 12.2% in FY2025. Net margin declined from 10.4% in 2024 to about 8.7% in FY2025 on a GAAP basis, driven by impairments on the Rockstar and Be & Cheery brands. Q1 2026 showed an operating margin of 16.5%, a recovery signal, but the trailing picture remains one of margin compression followed by FX and acquisition noise.

The moat is real. Brand intangible assets, route-to-market scale, and the franchise-company-owned bottler mix create a wide commercial presence. However, the moat does not solve the valuation problem. A high-quality business at twelve times fair value is still a poor capital-preservation vehicle. The business quality stage passes, but it passes with a caveat: revenue growth is slow, margins are under pressure, and the company is fighting market share battles in North America snacks. Those weaknesses are manageable for a long-term holder at a reasonable price. They become dangerous when an investor pays $2,026.00 per share for them.

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2. FINANCIAL FORTRESS ANALYSIS

The solvency gate is the most important stage for wealth preservation. The available data present a mixed picture.

Total debt is $52.73 billion as of the most recent quarter, per Finspry. Book equity is approximately $18.04 billion, which produces a debt-to-equity ratio of 2.47. That is well above the framework's 1.0 threshold and would ordinarily trigger a red flag outside regulated industries. Trefis reports a debt-to-equity of 0.30, but that figure reflects a market-value denominator based on the stale lower share price; the book-based figure of 2.47 is the appropriate one for this analysis. Net cash per share is negative $30.82, and debt-to-FCF is 5.96. Those are leverage levels typical of a mature consumer staple that has funded decades of buybacks and dividends with debt, but they are not fortress-level by this framework's standard.

The cash-generation side is stronger. Trailing twelve-month free cash flow is $9.3 billion, up 31.4% year over year as of June 13, 2026. That implies an FCF margin of about 9.6% on TTM revenue of $96.9 billion. CFO on an LTM basis is $13.5 billion, with CFO-to-revenue of 13.9%. Operating cash flow has been positive and the company demonstrates meaningful cash conversion. The Q1 2026 8-K guidance includes a free cash flow conversion ratio of at least 80% and capital spending below 5% of net revenue. Those commitments support continued cash generation.

The credit footprint reinforces solvency. PepsiCo terminated and replaced two $5 billion unsecured revolving credit facilities on May 22, 2026, with no outstanding borrowings at termination. The new facilities are investment-grade syndicated revolvers with a $5.75 billion upsizing option. The company also issued euro-denominated senior notes totaling €2.5 billion across 2028, 2034, and 2038 maturities. No going-concern language, auditor warning, or material internal-control weakness appears in the provided disclosures.

The stress test yields an ADEQUATE solvency assessment, not FORTRESS. A 30% revenue decline over two years would compress operating cash flow significantly. PepsiCo's fixed-cost base and $52.73 billion debt load would leave the company solvent, but the balance sheet would come under pressure and the dividend payout would likely require management intervention. The framework's threshold for a fortress balance sheet is debt-to-equity below 0.5; PepsiCo fails that test by a wide margin. Earnings quality is ACCEPTABLE but not pristine. GAAP net income fell from $9.578 billion in 2024 to $8.2 billion in 2025 because of $1.9 billion in impairments, while core EPS was $8.14. Restructuring charges of $2.627 billion through December 28, 2024

further obscure the operating picture. ROIC of 15.19% and ROCE of 15.79% confirm the underlying business creates value above its cost of capital, but the balance sheet leverage leaves less room for error than a preservation investor should demand.

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3. DIVIDEND ANALYSIS

PepsiCo pays a quarterly dividend of $1.48 per share, which annualizes to $5.92 per share. The dividend was declared on July 17, 2026, with a record date of September 4, 2026, and payment on September 30, 2026. At the authoritative price of $2,026.00, the dividend yield is 0.29%. That fails the framework's 1.5% to 5% sweet spot outright. A yield this thin provides no income cushion against price volatility.

The payout metrics are more alarming. On FY2025 GAAP EPS of $6.00, the payout ratio is 98.7%. That is above every threshold in the framework. GAAP earnings are depressed by the Rockstar and Be & Cheery impairments, so the core payout ratio is a fairer measure. On FY2025 core EPS of $8.14, the payout ratio is 72.7%, which sits below the 75% mature-company threshold but above the 60% preferred level for a growth company. On free cash flow, the picture worsens. PepsiCo expects $7.9 billion of dividends in FY2026 against $9.3 billion of TTM FCF. That is an 85% FCF payout ratio and an FCF dividend coverage of only 1.18 times, below the framework's 1.3-times safety threshold.

The stress test fails. If core earnings fell 40%, core EPS would be $4.88, insufficient to cover the $5.92 annual dividend. GAAP earnings would turn negative. The dividend would require either a payout ratio above 100% on core earnings or a cut. The company has historically protected its dividend through recessions, but the current cash-flow payout leaves limited cushion if the GLP-1-driven snack volume pressure and pricing rollbacks described by TIKR.com materialize simultaneously.

Dividend growth data is not provided in the research set. MarketBeat expects 4.55% EPS growth in the coming year, from $8.57 to $8.96 per share, which serves as a rough dividend-growth proxy. But the five-year dividend CAGR and consecutive-year streak are not in the data, so those specific framework scores cannot be completed. The available evidence supports a dividend sustainability assessment of AT RISK. The dividend itself is not the primary source of risk; the yield at the current price is simply too small to contribute to the wealth-preservation mandate, and the payout ratios leave no margin for a demand shock.

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4. VALUATION ANALYSIS

The valuation stage is decisive. The authoritative price of $2,026.00 forces a complete recomputation of every multiple. The stale multiples in the research data — P/E 16.8, EV/EBITDA 11.7, P/FCF 18.9, P/B 8.59 — are unusable because they are based on share prices between roughly $128 and $158. The framework requires using only the authoritative price for current metrics. The recomputed multiples are as follows.

Metric	Value
P/E (GAAP, FY2025 EPS $6.00)	337.7x
P/E (Core, FY2025 EPS $8.14)	248.9x
Forward P/E (core EPS $8.96)	226.1x

Metric	Value
P/FCF (FCF/share $6.45)	314.0x
P/S (LTM revenue/share $70.47)	28.8x
P/B (book value/share $15.60)	129.9x
Dividend Yield	0.29%
EV/EBITDA (approx., ~$19.6B annualized EBITDA)	~144x
PEG (current core P/E / 4.55% growth)	54.7x

The independent fair-value anchors from the research data are consistent. Stockoscope's DCF intrinsic value is $144.71. Its blended estimate is $132.00. Its own 10-year history estimate is $194.00. MarketBeat's consensus price target is $151.70. VCP Scanner's consensus target is $156.00, with an average target of $170.26 and a high of $195.00. TIKR's mean target is $167.00 to $171.00. The midpoint across all independent anchors is approximately $165.00. That figure also matches a 20-times multiple on FY2025 core EPS of $8.14, which lands between the two conflicting sector P/E references of 13.94 and 22.3. $165.00 is therefore a defensible current intrinsic value.

The margin of safety is the price-to-fair-value gap expressed as a percentage: ($165.00 minus $2,026.00) divided by $2,026.00 equals negative 91.9%. An investor at this price is paying $2,026.00 for roughly $165.00 of current intrinsic value. The gap cannot be closed by operating performance. If core EPS grows 5% annually for ten years to $13.26 and the market applies a fair 20-times multiple, the terminal value is $265.20 — still 87% below the current price. That is the arithmetic of the base case. Even the most optimistic independent target, $195.00, sits 90.4% below $2,026.00.

The valuation read is unambiguous. PepsiCo is not overvalued by 10% or 20%, which a patient preservation investor could wait out. It is priced at an order-of-magnitude premium to every defensible intrinsic-value measure. The framework's rule for trading more than 40% above the five-year average is to avoid regardless of quality. This price exceeds that threshold by roughly ninety percentage points. The valuation stage alone terminates the analysis with an AVOID.

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5. SCENARIO ANALYSIS

The scenario analysis uses a ten-year horizon and three weighted states. The assumptions are anchored to PepsiCo's own guidance and the data provided.

Bear Case — 25% weight. Revenue is flat for the decade. The GLP-1-driven snack volume decline accelerates, pricing rollbacks on Lay's and Doritos compress margins, advertising costs rise, and the $12 billion snack-industry demand threat materializes. Core EPS stagnates near $7.50, below the current $8.14. A recession pushes the terminal multiple to 14 times, the bottom of the historical range. Terminal price: $105.00. The price return from $2,026.00 to $105.00 is -94.8% cumulative, or -25.6% annualized. With a negligible dividend, the total return is approximately -25.9% CAGR. The bear case destroys capital almost entirely.

Base Case — 50% weight. The company delivers organic revenue growth of 3%, consistent with the midpoint of its reaffirmed 2% to 4% FY2026 guidance. Productivity initiatives partially offset input-cost inflation. Core EPS grows 5% annually to $13.26 by 2036. The market applies a 20-times terminal multiple, in line with the long-run

consumer-staples range. Terminal price: $265.20. From $2,026.00, that is an -18.4% annualized price return, improved by the 0.29% dividend yield to approximately -18.1% CAGR. The base case does not come close to the 7% hurdle.

Bull Case — 25% weight. PFNA volume recovers durably, the World Cup activation lifts Frito-Lay globally, international expansion accelerates, and margin recovery reaches 21% EBITDA margins through 2026 and beyond. Core EPS grows 7% annually to $16.01. The market awards a 24-times terminal multiple, near the high end of the sector range. Terminal price: $384.24. The price return from $2,026.00 is -81.0% cumulative, or -15.1% annualized. Adding the dividend produces roughly -14.8% CAGR. Even the best plausible operating outcome loses money from this entry price.

Scenario	Weight	Key Assumptions	10-Yr Price Target	Total Return CAGR	Contribution
Bear	25%	Flat revenue, core EPS $8.60, 14x terminal	$120.40	-25.9%	-6.5%
Base	50%	3% organic rev, 5% core EPS CAGR, 20x terminal	$265.20	-18.1%	-9.1%
Bull	25%	7% core EPS CAGR, 24x terminal	$384.24	-15.1%	-3.8%
Probability-Weighted				**-19.3% CAGR**	

The downside protection analysis fails absolutely. The bear case price decline is -94.8%. The probability of a permanent loss greater than 50% is above 90%, because even the base case terminal value sits 87% below the current price. Capital at risk, measured as the bear-case weight times the bear-case decline, is 25% times 94.8%, or 23.7% of the initial position permanently lost in the bear scenario alone. The framework requires a bear case total return of at least 0% for any position. This bear case is negative 25.9% annualized. The stock fails the wealth-preservation mandate on its first and most important test.

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6. RISK ASSESSMENT

The dominant risk is valuation re-rating risk, and it is not a tail risk. At $2,026.00, the shares trade at 248.9 times core earnings and 337.7 times GAAP earnings. The intrinsic-value anchors range from $132.00 to $195.00. A reversion to even the highest anchor would require an 90.4% decline. The probability of a permanent loss greater than 50% is therefore above 90%, not the sub-10% threshold the mandate allows. This single risk overwhelms every other consideration.

The business risks are real but secondary to the price. TIKR.com identifies a compounding margin squeeze: surgical price cuts on Lay's and Doritos, increased advertising spend, GLP-1-driven volume pressure, and potential GRAS regulatory costs hitting the income statement simultaneously. The $12 billion long-term snack-demand threat adds structural pressure. Barclays, in a January 16, 2026 note, attributed recent share strength to a flight to safety while remaining concerned about company- and sector-level fundamentals. Barclays warned that oil and currency headwinds could show up in 2026. Those are the operational risks a preservation investor should already have quantified before buying. At the authoritative price, they become irrelevant because the valuation risk alone produces a negative expected return.

Regulatory and ESG risks are present. The 10-K cites failure to respond to climate-change and single-use-plastics regulations as a risk to demand and reputation. The PX14A6G exempt solicitation filed April 1, 2026 describes PepsiCo's exposure to human-rights risks in its palm oil supply chain and its continued operations in conflict-affected and high-risk areas, including Russia. That filing also notes sanctions exposure,

supply-chain disruption risk, and litigation on behalf of impacted rightsholders. The Ukraine facility damage reported by Simply Wall St adds operational disruption. These are not idle compliance items; they can produce regulatory enforcement, brand damage, and supply interruptions.

Litigation is broad and open-ended. The 10-K lists advertising, product-label, ingredient, food-safety, personal-injury, IP, privacy, employment, tax, environmental, and shareholder-initiated actions as ongoing categories. No named case or dollar figure appears in the provided data, which limits quantification, but the breadth of exposure is consistent with any global food and beverage operator.

Financial risk includes $52.73 billion of total debt, a book debt-to-equity of 2.47, and an FCF payout ratio on dividends of 85%. The operating margin fell from 14.0% to 12.2% in FY2025. A demand shock would pressure both the dividend and the balance sheet. The credit profile is investment-grade and the company has access to $10 billion of revolving facilities, but the margin for error is thinner than the wealth-preservation mandate prefers.

The risk level is ELEVATED. The recession profile of the underlying business is RESILIENT — food and beverages recover quickly in downturns — but a resilient business at 248.9 times core earnings still produces a catastrophic drawdown when the multiple normalizes. The risk assessment does not fail because PepsiCo is a weak company. It fails because the price embeds no margin of safety and therefore guarantees a large expected loss.

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7. MANAGEMENT & GOVERNANCE

Ramon Laguarta serves as chairman and chief executive officer. Jamie Caulfield serves as executive vice president and chief financial officer. The provided research data contains little on tenure, compensation structure, or insider ownership levels, so a full management-quality score cannot be completed. The available signals, however, are not alarming.

The capital-allocation record is mixed but defensible. FY2026 guidance includes total cash returns to shareholders of approximately $8.9 billion, split between $7.9 billion of dividends and $1.0 billion of share repurchases. The buyback allocation is modest relative to the company's cash flow, which is appropriate given the debt load. The dividend consumes nearly all of the cash return. Historical acquisitions include SodaStream in 2018, Rockstar Energy in 2020, and Pioneer Foods in 2020. Rockstar generated a $1.9 billion impairment in FY2025, which is a mark against that deal. SodaStream and Pioneer Foods have not produced similar write-downs in the provided data.

The credit-management actions show discipline. Management terminated two $5 billion revolving facilities with no outstanding borrowings and replaced them with new investment-grade revolvers. The company issued €2.5 billion of senior notes across 2028, 2034, and 2038 maturities. That is routine refinancing for a company of this scale, and the absence of drawings at termination signals liquidity headroom rather than distress.

Governance disclosures are quiet. No restatement, internal-control weakness, auditor warning, or going-concern qualification appears in the material. Insider filings show director Robert C. Pohlad receiving 398.3229 phantom stock units through dividend-equivalent reinvestment in August 2026, plus a distribution of 900,000 shares from an LLC to member beneficiaries for tax-planning purposes. Form 144 filings from Santilli Paula and a Form 4 from Gibbs David W indicate routine director and officer activity, not a coordinated insider-selling signal.

The one governance item that deserves attention is unnamed activist pressure. TIKR.com references activist engagement without identifying the party or the specific ask. The framework treats frequent acquisitions and

buybacks at peak valuations as red flags. PepsiCo's buyback is small, but its acquisition history includes at least one impaired brand. Management quality rates GOOD, not EXCELLENT, because the capital-allocation record has a blemish and the leverage on the balance sheet limits future flexibility. The management team is not the reason to avoid the stock. The price is.

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8. PEER COMPARISON

The provided research data does not contain direct named-peer financial tables for Coca-Cola, Mondelez, Kraft Heinz, or General Mills. The framework's peer comparison therefore uses the sector and index references that are available.

Dimension	PEP (current)	Consumer Staples Sector	S&P 500
P/E (forward/core)	226.1x	13.94–22.3x	22.1–38.8x
EV/EBITDA	~144x	14.0x	n/a
P/FCF	314.0x	n/a	19.2x
P/S	28.8x	n/a	3.1x
P/B	129.9x	n/a	n/a
Dividend Yield	0.29%	n/a	~1.3%
Operating Margin	12.2% FY2025	n/a	18.6%
ROIC	15.19%	n/a	n/a
Debt/Equity (book)	2.47	n/a	0.21

The comparison is stark. On every relative metric, PepsiCo trades at a premium that no sector peer approaches. The current core P/E of 248.9 is 11 to 18 times the Consumer Staples sector average. The EV/EBITDA of approximately 144 times is about ten times the sector median of 14.0. The P/FCF of 314 times compares to 19.2 for the S&P 500. Yet PepsiCo's operating margin of 12.2% is below the S&P 500's 18.6%, and its three-year revenue growth of 2.5% is below the index's 5.8%.

The market is not pricing PepsiCo as a high-growth compounder. It is pricing the stock at an astronomical level that has detached from fundamentals. A peer-quality comparison would ordinarily rank PepsiCo near the top of consumer staples on brand strength, distribution, and ROIC. The ROIC of 15.19% confirms that advantage. But the peer comparison on valuation destroys any argument for buying. The company may deserve a premium multiple. It does not deserve a 300-times earnings multiple.

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9. KEY METRICS SUMMARY

Metric	Value	Source/Period
Current Price	$2,026.00 USD	Authoritative, 2026-10-01

Metric	Value	Source/Period
FY2025 Revenue	$93.9B	PepsiCo Q4 2025 release
FY2025 GAAP EPS	$6.00	PepsiCo Q4 2025 release
FY2025 Core EPS	$8.14	PepsiCo Q4 2025 release
TTM Revenue	$96.9B	Trefis LTM
TTM FCF	$9.3B	StockTitan, +31.4% YoY
Total Debt	$52.73B	Finspry, mrq
Book Value per Share	$15.60	Finspry
FCF per Share	$6.45	Finspry
ROIC	15.19%	Finspry
ROE	40.84%	Finspry
Beta	0.36	Simply Wall St
Current P/E (GAAP)	337.7x	Derived from $2,026.00 / $6.00
Current P/E (Core)	248.9x	Derived from $2,026.00 / $8.14
Forward P/E (core)	226.1x	Derived from $2,026.00 / $8.96
Dividend Yield	0.29%	$5.92 / $2,026.00
GAAP Payout Ratio	98.7%	$5.92 / $6.00
Core Payout Ratio	72.7%	$5.92 / $8.14
FCF Payout Ratio	85.0%	$7.9B / $9.3B
Margin of Safety	-91.9%	($165.00 - $2,026.00) / $2,026.00

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10. MONITORING CHECKLIST

Item	Trigger	Action
Q3 2026 Earnings	October 8, 2026	Verify revenue, PFNA volume, margin, and guidance
Organic Revenue	Below 2% FY2026	Reassess base-case 3% growth assumption
PFNA Volume	Decline resumes	Confirm bear-case probability increase
EBITDA Margin	Below 21% in H2 2026	Trim base-case terminal multiple
Dividend	Any cut from $1.48 quarterly	Downgrade dividend sustainability to UNSUSTAINA
Debt/Equity	Above 2.5	Confirm MARGINAL solvency
GLP-1 News	New weight-loss drug adoption data	Update snack-volume sensitivity

Item	Trigger	Action
Activists	Filing or public letter	Reassess governance and capital allocation
Iran/Energy Costs	Sustained oil spike	Update input-cost margin model
Ukraine Operations	Further facility disruption	Add geopolitical supply risk
Price	Falls below $181.50	Begin re-evaluation for potential entry

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11. MARKET EXPECTATIONS & CONSENSUS

The consensus rating is Hold. VCP Scanner counts 16 Buy, 29 Hold, and 1 Sell, with a 12-month target of $156.00 and an average target of $170.26. TIKR reports a later distribution of 8 Buys, 15 Holds, and 1 Sell, with a mean target near $167.00 and a range of $132.00 to $195.00. Four analysts cut targets in the past 30 days versus two raises. The high-end projection reaches $240.00 only in the most optimistic VCP Scanner scenario. No independent analyst target approaches the authoritative price of $2,026.00.

The consensus bull case rests on PFNA recovery. Q1 2026 delivered the first North America Foods volume growth in over a year, with EPS of $1.61 beating consensus by $0.06 and EBITDA of $3.79 billion beating the $3.69 billion estimate by 3%. PepsiCo cut prices, won back shelf space, and flagged the 2026 FIFA World Cup as a global Frito-Lay activation platform. If PFNA volume growth proves durable and EBITDA margins reach 21% through the second half of 2026, the Street's cautious optimism is validated.

The consensus bear case centers on durability and inflation. The hold-heavy distribution indicates the Street has not committed to the view that the volume and margin trajectory is sustainable enough to close the gap to the mean target. Cost inflation from the Iran conflict is hedged for six to twelve months; if productivity cannot absorb the post-hedge input costs, margin estimates are at risk. Further analyst target cuts, continued Ukraine facility disruption, and accelerating GLP-1-driven snack weakness would reinforce the caution.

The growth implied by the current price is not provided in the research data. The company's own guidance is 2% to 4% organic revenue growth for FY2026, reaffirmed. Analysts expect about 5% annual EPS growth over the next two years. A reverse-DCF on the authoritative price would require growth rates and terminal multiples that no source in this dataset supports. Short interest and days-to-cover are not provided. The forward valuation at the stale price was 16.3 times, below the S&P 500's 20.8 and the staples average of 19.3. At the authoritative price, the forward P/E is 226.1 times. The market-expectations stage confirms the disconnect between the current price and every consensus anchor.

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12. KEY BUSINESS DRIVERS

Driver 1: Organic Revenue Growth

Why it matters: It separates real demand from acquisitions and currency, and it validates pricing power in a volume-challenged environment.

Current level: 2.6% organic in Q1 2026; FY2026 guidance 2% to 4%.

Bull threshold: Sustained organic growth above 4%.

Bear threshold: Organic growth below 2% or negative for two consecutive quarters.

Next data point: Q3 2026 earnings on October 8, 2026.

Driver 2: PFNA Volume

Why it matters: Frito-Lay volume is the single most watched metric because snacks are the margin engine and they face GLP-1-driven demand risk.

Current level: Positive volume in Q1 2026 for the first time in over a year.

Bull threshold: Three consecutive quarters of positive PFNA volume.

Bear threshold: PFNA volume returns to negative in Q3 2026.

Next data point: Q3 2026 segment disclosures.

Driver 3: EBITDA Margin

Why it matters: It captures the compounding margin squeeze from price cuts, ad spend, input costs, and productivity offsets.

Current level: 19.5% in Q1 2026; consensus expects ~21% for Q2 2026.

Bull threshold: EBITDA margin at or above 21% for two consecutive quarters.

Bear threshold: Margin below 19% and declining.

Next data point: Q3 2026 margin disclosures.

Driver 4: Free Cash Flow Conversion

Why it matters: FCF funds the dividend, the buyback, and debt reduction; an 80%-plus conversion target is the company's own commitment.

Current level: TTM FCF $9.3B; FCF margin ~9.6%.

Bull threshold: FCF conversion above 90% for FY2026.

Bear threshold: Conversion below 75% for two consecutive years.

Next data point: FY2026 cash flow statement.

Driver 5: International and World Cup Activation

Why it matters: International beverages and Frito-Lay global expansion are the growth offset to a mature North American market.

Current level: International growth contributing to Q1 revenue; World Cup begins summer 2026.

Bull threshold: International organic growth above 6% through 2026–2027.

Bear threshold: International growth decelerates below 3%.

Next data point: Q3 and Q4 2026 segment disclosures.

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13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
Consumer Staples SPDR	XLP	Correlates with defensive fund flows	Bullish if XLP outperforms SPY on Pepsi

Proxy	Ticker/Symbol	Relationship	Signal
Coca-Cola	KO	Closest beverage comp	Bullish if KO holds or rallies while PEP lag
Mondelez / Snack Basket	MDLZ	Snack-category demand proxy	Bullish if MDLZ volume commentary impr
10-Year U.S. Treasury Yield	US10Y	Discount-rate / defensive rotation signal	Bullish if yields fall and staples catch a bi
Agriculture Commodities	CORN / WEAT	Input-cost proxy for Frito-Lay and Quaker	Bearish if corn or wheat spike; bullish if pr

Monitoring rule: If XLP breaks below its 50-day moving average while corn and wheat rise simultaneously, re-evaluate the PepsiCo margin thesis within five days.

EXIT TRIGGERS

No position is recommended, so no sell triggers apply. Re-entry conditions, to be checked only on a subsequent price pullback, include:

- **Price below $181.50**: A 10% margin of safety below the base-case intrinsic value of $165.00.
- **Price below $148.50**: A 10% discount to the DCF intrinsic value of $144.71.
- **Consensus PT reset**: A credible third-party intrinsic-value estimate above $2,000.00, which does not exist in this dataset.
- **Fundamental change**: Sustained PFNA volume growth above three consecutive quarters, EBITDA margin above 21%, and FCF conversion above 90%, combined with a rational price.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

PepsiCo, Inc. is a high-quality consumer staples franchise with a durable brand portfolio, meaningful market share, and cash generation that would ordinarily qualify it for inclusion in a wealth-preservation portfolio. The authoritative price of $2,026.00 per share, however, is so far above every independent valuation anchor in the provided data that no rational return model can meet the inflation-plus-4% hurdle. The margin of safety is negative 91.9%. The probability of a permanent loss greater than 50% exceeds 90%. The bear case produces a negative 25.9% annualized total return, and even the bull case loses 15.1% annually. The Wealth Preservation Score is 33.5 out of 100 against a 65-point minimum for a BUY. Hold cash at 4% and reassess only if the price falls more than 90% from current levels.

ANALYST NOTES

Key Assumptions: Authoritative price $2,026.00 used as instructed. Shares outstanding approximately 1.375 billion. FY2025 core EPS $8.14 is the earnings anchor. Base-case intrinsic value $165.00 derived from a 20-times multiple on core EPS and cross-checked against the $132.00 to $195.00 independent estimates. Ten-year horizon with 25% bear, 50% base, 25% bull weights. Dividend held constant at $5.92 annually unless cut in the bear case.

Limitations: The authoritative price is materially inconsistent with the entire research dataset, which references prices between $128 and $158. Interest coverage, current ratio, diluted share count history, five-year dividend

CAGR, consecutive dividend years, FY2021–FY2025 EBITDA, and FY2021–FY2025 annual FCF are not provided. Management tenure and compensation detail are absent. Peer-specific financial tables are not in the data. Short interest is not provided. The EV/EBITDA figure is approximate and derived from an annualized quarterly EBITDA assumption of $19.6 billion.

Confidence Level: HIGH on the AVOID recommendation because the valuation gap is an order of magnitude, not a marginal call. Every scenario fails the return hurdle, and the downside-protection requirements fail with near certainty.

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For the execution of positions discussed in our research, we use the following platforms for their regulatory standing, liquidity and reliability.

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Revolut	Multi-currency banking and FX
Interactive Brokers	Institutional-grade brokerage
Vantage	MT4/MT5 execution
Binance	Digital asset infrastructure
Hostinger	Web infrastructure

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