

Pepsi: When the Chips Are Down

PepsiCo began in 1893 as a pharmacist's fountain drink in North Carolina and became today's giant when it merged with Frito-Lay in 1965. It now owns Lay's, Doritos and Quaker on the food side, and Pepsi, Mountain Dew and Gatorade on the drinks side. Snacks and soft drinks sit side by side in the same stores, which gives it real scale with retailers. It sells worldwide, and its international business has recently been the steadier grower.

	PepsiCo	Coca-Cola
Forward P/E	14.6x	25.3x
Dividend yield	4.7%	2.4%
10-year Sales Growth	4.1%	1.0%
Current Gross Margin	54.4%	61.8%
2025 Revenue	\$99bn	\$48bn

Source: FactSet, 12 October 2026

Cola War

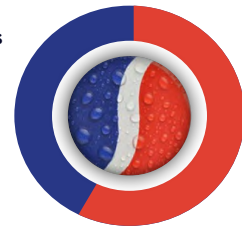
PepsiCo has roughly twice Coke's sales and has grown them faster over the past decade, yet its shares are about 40% cheaper relative to profits and its dividend yield is nearly twice as high. That discount looks too wide for a company positioning itself where drinks demand is shifting away from sugary soda. It bought the prebiotic soda brand Poppi in 2025, holds about 11% of energy drink maker Celsius, and has launched Pepsi Prebiotic under its own name.

Shelf Control

- Brand depth: Lay's, Doritos, Gatorade and Pepsi, each with over \$1bn in annual retail sales.
- Distribution: 200+ countries, and retailers' number one supplier in Kantar's PowerRanking for the tenth year running.
- Network effect: Celsius moved Alani Nu into PepsiCo's distribution system to widen its reach.
- International runway: every international segment grew net revenue in Q3, led by LatAm Foods (+14%), with Asia Pacific snack volume up 11%.
- Portfolio refresh: the 2025 purchases of Siete and Poppi add newer growth brands.

PEP Revenue Split

Drinks
42%



Snack
Foods
58%

Source: FactSet, 12 October 2026

Top 5 Most Valuable Non-Alcoholic Drinks Companies by Market Cap



Excludes bottlers, coffee chains and alcohol. PepsiCo includes its snack business.

Source: FactSet, 12 October 2026

Risks

- North America: price cuts improved savoury snack volume and share in Q3, but Foods revenue was flat and core operating profit fell 12%.
- Guidance: full-year core EPS growth was cut to 1 to 2% in constant currency, from a 4 to 6% range.
- Demand: store brands and GLP-1 drugs are pressuring snacks.

PepsiCo has a bruised share price, not a broken business. Q3 results beat expectations on revenue and EPS, with every international segment growing, but the cut to profit guidance shows North America still has work to do. With the discount to Coke this wide, the 4.7% yield pays you to wait for it.

The views expressed above are those of the Advantage Securities Investment Team and are based on our analysis, interpretation of publicly available information, and professional judgement at the time of writing.

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