

# [Pepsico case study](https://assignbuster.com/pepsico-case-study/)

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She highlights Pepsin’s ongoing global growth initiatives (Innovating globally by delighting coolly) and also discusses Pepsin’s healthier offerings, both of which I feel are appealing concepts for shareholders in today’s market.

She also makes some Important statements about ongoing efficiency and leveraging the brand. Her letter does a good job of answering potential questions that the stockholders may have on the current status of the company as well as future plans.

While her focuses are effective, I felt that some additional detail about growth within their “ healthy’ segment could’ve helped her argument as well as continued discussion on Pepsin’s ethics. Overall, her letter is a great pitch for prospective investors domestically and abroad. 2.

Management’s Discussion and Analysis seemed to paint a more pessimistic view of the future ofPepsicothan Knoll’s letter. They bring up several factors In order to prepare shareholders for potentially rough times. Part of these factors includes mention of a California proposition, which would force warning labels on unhealthy food.

Potential layoffs and a possible knock to Pepsin’s credit rating are also discussed.

Furthermore, management recognizes that they are operating in a highly competitive market. Some of Pepsin’s core, high margin products are losing market share to Coke products. Ongoing success Is dependent on effective promotion and marketing and Coke has been a leader in this area. Pepsi management recognizes the need to innovate to remain competitive and proper positioning is key. It could prove to be an issue If they don’t properly anticipate shifts In demand.

There are also concerns about potential climate changes, and other regulatory measures. These things could severely impact production and demand for certain segments of Pepsin’s products. 3. 4. Market to Book Ratio compares the market value of the firm’s investments to their cost. Current Ratio Is current assets divided by current liabilities and gives a measure of short-term liquidity.

Debt to Equity Ratio is a measure of a company’s financial leverage calculated by dividing its total liabilities by stockholders equity.

Total Asset Turnover Is sales divided by total assets and assists with an understanding of dollars generated relative to dollars in assets. Times Interest Earned Ratio measures how well a company has its interest obligations covered and Is calculated by delving BIT by Interest. Profit Margin Is calculated by dividing net income by sales. ROAR is a measure of profit per dollar of assets and ROE is a measure of how stockholders fared during the year. Finally, PEPS gives us market price per snare AT stock Day Livelong net Income o snares outstanding.

. Over the past three years, revenues and expenses have increased. Net profits have also increased. Debt to Equity has increased over the last few years. Profit margins have decreased and focus has shifted to less profitable products.

ROAR has been decreasing as well. Daily sales in inventory are decreasing. Intangible assets, including goodwill, have greatly increased. Also, Return on Capital Investment has creased. 7. Operating Activities: 1) Other net decreased by $688.

2) Accounts Receivable is increasing.

Financing Activities: 1) Acquisition of non-controlling interests 2) Cash Dividends 3) Repurchase of dividends 4) Long term debt is down from 2010-2011. Investing Activities: 1)Acquisition of WEB 2) Change in Gross Fixed Assets (decreasing debt 2011) 8. In her Letter to Shareholders, Chairman Onion made a good case for increasing shareholder value in the short and long runs. She’ll need to encourage management to continue to innovate and achieve high sales in the current market while at the name time focusing on future investment and continued global expansion and presence.

Transparency with investors is important for building trust and confidence.

Marketing and promotion will be another key element to Eyepieces continued growth among the high level of competition already existing in their many segments. Reduction of accounts receivable can lead to better bottom line results, efficiency, and reduction of long-term debt through the repayment of principle. PepsiCo should also continue to expand its “ healthy’ product line such as sports drinks, whole grain healthy snacks, etc. To take advantage of market trends.