Pespi vs. coke

PEPSICO VS. COCOA COLA ENTERPRISE FINANCIALLYBUSINESS ENTERPRISEMARCH 10, 2011PEPSICO VS.

COCA COLA ENTERPRISE FINANCIALLY PepsiCo and Coca Cola Ent. are the largest beverage companies in the world. For years this companies have had a lifelong competition claiming to better than each other. How do you determine who is a better company The decision can be made by taste, location, coveinent, social responsibility and financial position.

Every time a consumer buys a bottle they invest in that company and they chose which is better. Both companies are well known household names and been around for years servicing the community making a brand for itself. PepsiCo the larger of the two companies is not only in the beverage industry they also provide snacks and food. In 1960??™s when Pepsi Co was founded they launched carbonated drinks as well as Frito Lay chips. They entered the market with Pepsi- Cola, Diet Pepsi and Mountain Dew. Later Pepsi entered the global market like Japan and Eastern Europe servicing those countries with a taste of PepsiCo. The blue, red, and white were introduced with the slogan ??? You got to live, Pepsi got to give ??? as the campaign theme in 1969.

The next year PepsiCo reaches the billion dollar mark and accumulated 36, 000 employees. Headquarters moved to New York City an introduced the two liter bottle, first company to respond to the consumer preferences. 1975 the Pepsi Challenge launched in Dallas, TX asking consumers who had the best tasting Cola. PepsiCo expanded into the fast food industry purchasing Pizza Hut and along came Taco Bell and KFC. PepsiCo grew on a very fast pace now they are bringing in $60 billion in revenue and has 250, 000 employees working to keep them at the top.

(www. pepsi. com) Coca Cola was founded many years before Pepsi. The first appearance of Coca-Cola in a small pharmacy in Atlanta, GA and sold for 5 cent a glass. In 1899 Atlanta Pharmacist Dr. John Pemberton began selling Coca-Cola fountain. The first franchise of Coca Cola began in 1901 serving Tennessee and other nearby towns.

Later, BCI Holding Corporation Bottling holding and Coca- Cola Company joined merger creating Coca- Cola Enterprise becoming bigger and more powerful company. In 1993, the company expanded operations into international markets like France, Belgium, Great Britain, Luxemburg, and Monaco. Through the years Coca Cola Enterprise continued to expand and became the third largest bottler in the world and handles 8% in global operations. (www. cocacola.

com) Current Ratio Current assets divided by current liabilities equals the current ratio of a business. Current ratio explains the ability to pay short term obligations. Short term obligations are owed to the creditor within 12 months or less these obligations can range from rent and utilities. Current ratios vary in different industry in most industries 1. 5 is acceptable. If the ratios fall below 1 means the company may have a problem paying back obligations, unless they have assets that can move quickly. If that is not case investors should be concerned.

High ratios such as 3 or 4 companies are more likely to take care of obligations because they have large amounts of cash available. Most companies that have large amount of cash on hands are generally planning a large investment upcoming. Current assets should be twice the current liabilities to be in good standings. (Loth, 2011) Coca Cola Enterprise consolidated financial statement illustrates the companies current ratio of 1. 13 which is acceptable in the industry. Coca Cola current assets in year ending 2009 annual reports $5, 170 million dollars and current liabilities reports $4, 588 million dollar the accounts are very close which means that company may have some issues liquidating the assets(www. cocacola.

com). PepsiCo current ratio is 1. 44 is a little higher than Coca-Cola which means they are making smart short term investments. According to the balance sheet of December, 2009 PepsiCo invested $4, 624 million dollars in short tem investments which increased their assets for the yea (www. pepsi. com) Return on Assets and Owners EquityReturn on asset is one of the many ways investor evaluate stock to determine a companies??™ financial status. The return on assets comes from financial statement the balance sheet and income statement.

Return on assets (ROA) is calculated by dividing net income by the average of the total assets. ROA shows how profitability the company is related to its assets or the resources it controls. ROA helps determine how well management is utilizing the company??™s total assets; the higher the ratio is always better. The ROA over three years from PepsiCo is 16. 23% and Coca Cola ROA is 4% considered to be acceptable should be higher. The ratios show that PepsiCo is better a converting its investments into profits. ROA gives details that for every dollar that is invested in assets. This is another way investors measure stock.

(Loth, 2011)Owners Equity is the amount of business assets owned by the business owners. Loth (2011) defines return on equity (ROE) as the amount of net income returned as a percentage of shareholders. This ratio allows investors the ability to see how much money the company made on their investments. Pepsi investor for the past three years return on investment was 3. 53% in 2007, 4. 23% in 2008, and 3. 27% in 2009 on their investment (www. pepsi.

com). PepsiCo ROE is very low which means this company does major self funding for investments. Coca Cola return on investment was 12. 4% in 2007, 141. 74% in 2008, and 8.

50% in 2009 (www. cocacola). Coca Cola relied more on investor??™s capital to operate.

In 2008, Coca Cola investor received over 100% of their investment back. Investors would record this as a smart investment. Satisfied Stockholders Stockholder hold invests into companies to receive a return on their investment. Stockholder looking to invest in the beverage industry are faced with the challenge of Coca Cola vs. PepsiCo and decision are based on several factors such dividend payout and earnings per share. Based on the closing price in March 2011 the closing price was $63. 40 some say this low.

PepsiCo has stayed consist over the last decade drastic changing??™s has not been a big challenge for this company. Stockholder will be satisfied Coca-Cola??™s return on common stockholders??™ equity is 31% and PepsiCo??™s is 35%, making PepsiCo a bit more attractable to investors.? ? Smart Investments Analyzing the annual report of PepsiCo vs. Coca Cola

Enterprise I was able to look at the financial statements and see their status levels. I would invest into PepsiCo companies with several products in the market tend to have more of a steady financial background.

Depending solely on one product can be risky. In 2010 PepsiCo closed the year with $43. 23 billion in sales beating Coca-Cola by over $12 million dollars and the most recent share was $65. 97. Including Frito Lay and other popular snacks names has help unlike Coca-Cola that stuck beverages. PepsiCo has also developed a strong international market for their products which bring in a large percentage of revenue. Pepsi has always been a personal favorite.

Financially it all makes sense they are a more dependable company. Investing in Pepsi other than financially reason them I would choose them because of their social responsibility. Pepsi has been giving back to our communities for a number of years and donating to national charities Companies that contribute to citizens are worth investing some organization are all for profit and feel they need give to community that supports them. Pepsi currently has created programs for organization that offers grant assistance, disaster victim??™s relief and made major contributions to the communities. It is important that a company support the people that support them.

Conclusion In conclusion Coca Cola and PepsiCo are large beverage companies that have made household name for each other. A comparison of each company analyzed side by side in different metrics. Based on the financial statement of 2009 it showed Pepsi is a more profitable company and investors would definitely be attracted to PepsiCo. Comparing Coca Cola and Pepsi had an advantage financially over Coca Cola because of other products they offer that contribute to their revenue. Coca-Cola has shown that they are a very profitable company to only be in the beverage industry. Choosing a company to invest in finance should not be the only reason you choose a company.

Large Corporation giving back to the community says a lot about company showing they care about their consumers. ReferencesDlugosch. J. (2010).

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Financial ratios tutorials. Loth retrieved from http://strayeronline. net/re/DotNextLaunch. aspwww. pepsico. comwww. cocacola. comAppendixYear ending December 2009| | PepsiCo | Coca Cola || Current Ration | 1. 44 | 1. 13 || Return on Assets | 15. 7% | 4. 7% || Return on Equity | 4. 10 | 16. 2 || Debt Ratio | 56% | 94% || Fixed Assets Turnover Ratio | 6. 82 | 3. 44 || Dividend Payout Ratio |. 41% |. 41% || Price/ Earnings Ratio |$3. 70 | $2. 47 |