PEPSICO: WILL THE COMPANY SPIN OFF CARBONATED BEVERAGES?

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> *"I am so pleased to report that 2016 marked another exceptional year for PepsiCo. Across the company, we delivered top-tier financial performance, the kind of performance that's commensurate with the confidence you've placed in us to steward this iconic corporation."*
> - Indra K. Nooyi

Indra K. Nooyi, PepsiCo's Chair of the Board of Directors and Chief Executive Officer, was very confident that the planned annual shareholders meeting would be as successful as the company's strategic direction. It was in mid-February 2017, when Nooyi was sipping a cup of tea in her office located in Purchase, New York, watching the falling snow behind her window and reflecting on the state of the company. She recalled the statement she had made to the company shareholders in 2015 during PepsiCo's 50th anniversary celebration, which focused on how carbonated beverages were *"a thing of the past,"* and emphasized how healthier products would *"future-proof"* Pepsi's portfolio (Forbes n.d.). As soda had contributed less than 25% of its global sales in the past few years, PepsiCo was no longer a soda company (Forbes n.d.). It was a new era as PepsiCo started moving toward healthier product offerings.

Under Nooyi's leadership, 2016 marked another exceptional year for PepsiCo because of its continuing growth in snacks and non-carbonated drinks, especially in North America, as well as its growth in Russia—the company's second-largest market after the United States (Forbes 2017a). PepsiCo's portfolio included $22 billion of brands. Exhibit 1 shows PepsiCo's brands.

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The company had built a world-class go-to-market system and strong retail and foodservice partnerships. Its core instant currency earnings per share grew 9%, exceeding the goal of 6% growth (PepsiCo 2017). The company's organic revenue grew 3.7% in 2017, in line with a goal of approximately 4%. Importantly, PepsiCo's operating margins increased 80 basis points compared to 2015, yielding approximately $1 billion in annual savings since 2012 (PepsiCo 2017). Through its thorough capital allocation and sound capital management, PepsiCo improved its net return on invested capital by 190 basis points to 21.5% and generated $7.8 billion in free cash flow, exceeding its goal of returning approximately $7 billion in cash to shareholders through dividends and share repurchase. Equally important to its growth, the company increased its investment in research and development by 45% since 2011—equivalent to $3.5 billion over the past 5 years (PepsiCo 2017).

Exhibit 1. Images of PepsiCo 22 billion-dollar brands

Source: NoTricksZone.com

Leveraging the company's massive market share of the U.S. savory snacks market, its snack division, Frito-Lay North America, was PepsiCo's most valuable and profitable division, making up almost 40% of the company's valuation (Forbes 2017a). The company's North America

Beverages division continued to be a strong second, despite having a drinks portfolio heavily weighted with the slow-growing carbonated drinks category. The North America Beverages division's success was primarily due to the steady growth of non-carbonated drinks.

For many years, the soft drink industry has been one of the most profitable industries, with an estimated gross margin of approximately 83% and net margin of about 35%, with Coke taking the dominant market share (Carpenter & Sanders 2009). While the two giants defined the soft drink industry and fought what became known as the *"Cola Wars,"* the battleground was changing. Nooyi recalled that *"after years of investing aggressively, too aggressively in retrospect, our international beverage business suffered dramatic losses"* (cited in Carpenter & Sanders 2009: 104).

Carbonated beverages had weighed down the company over the past few years. Activist investors asked to spin off the beverages division. As a result of this contention and as a part of the company's strategic vision for the future, PepsiCo had been focusing its efforts on strengthening and further growing its fast-growing beverages' segments, including sports and energy drinks, ready-to-drink tea, and bottled water (Forbes 2017a). With an above-average dividend yield of 3.0%, PepsiCo had grown its revenues-per-share to 9.7% a year over the last decade; its success was attributed to its continued growth and stability (Forbes 2017a).

PepsiCo Overview

PepsiCo, Inc.

One of the largest food and beverage companies in the world, PepsiCo took its name in 1965 when the Pepsi-Cola Company merged with Frito-Lay, Inc. (Forbes 2017b). Located in Purchase, New York, the company operated in over 200 countries. Pepsi-Cola was founded in the late 1890s by Caleb Bradham, a pharmacist in New Burn, North Carolina. Frito-Lay emerged in 1961 through the merger of the Frito Company founded by Elmer Doolin in 1932 and the H.W. Lay company founded by Herman W. Lay also in 1932 (PepsiCo 1965).

The Early History

The company's history and success evolved around certain individuals and dates. It was the year 1893 when Caleb Bradham, like other pharmacists at the turn of the century, served customers refreshing drinks at the soda fountain of his drugstore. At the time, his most popular beverage was a drink that he made through a mix of sugar, water, caramel, lemon oil, kola nuts, nutmeg, and other additives. Known as "Brad's drink," the beverage became an overnight sensation (Bellis 2017). The original Brad's drink was created in the summer of 1893 and was renamed in 1898 after Caleb bought the trade name "Pep Cola" for $100 from a competitor who had gone broke. According to Bellis (2017), "*Although some reports claim the original drink contained pepsin—which would go a long way to explaining the drinks' subsequent name change—the use of the digestive enzyme is now regarded as the stuff of pure legend.*"

The popularity of the Pep Cola drink led Bradham to focus his energy and resources on developing a full-fledged business. He applied for a trademark with the U.S. Patent Office in Washington, D.C., started the Pepsi-Cola Company with 97 shares of stock, and placed the very first Pepsi-Cola newspaper advertisement in the *New Bern Weekly Journal* (Pepsistore n.d.). A Pepsi-Cola logo was designed by one of Mr. Bradham's neighbors, an artist.

Leveraging the theme of *"Exhilarating, Invigorating, Aids Digestion,"* Bradham moved bottling operations from his drugstore in 1903 into a rented warehouse, from which he sold 7,968 gallons of syrup in the first year of operation (Pepsistore n.d.; Stoddard 2013). A year later, Pepsi-Cola moved all its bottling and syrup operations into a new purchased building in New Bern, known as the *"Bishop Factory,"* and started its first bottling franchises one year later in 1905 in Charlotte and Durham, North Carolina. The company registered its trademark in Canada in 1906 (Pepsistore n.d.; Stoddard 2013). The year 1907 witnessed Pepsi-Cola's success as it grew to 40 franchises and sold more than 100,000 gallons of syrup and registered its trademark in Mexico. In 1908, Pepsi-Cola became one of the first companies to modernize its delivery from horse drawn carts to motor vehicles (Pepsistore n.d.; Stoddard 2013). By 1909, there were 250 Pepsi-Cola bottlers in 24 states (Stoddard 2013). Exhibit 2 shows vintage images of the Pepsi-Cola logo.

Exhibit 2. Vintage images of Pepsi-Cola logo

Source: Google Images

The Fall and Rise of Pepsi-Cola

World War I left a devastating impact on people, countries, and organizations, and Pepsi-Cola was no exception. One consequence of the war was the high price of the sugar and its rationing. The rationing of sugar made it difficult for Pepsi-Cola to produce enough syrup to meet its customers' demands. The company attempted to use substitutes for sugar, including molasses, which resulted in both inferior taste and lower acceptance by customers (PepsiCo n.d.; Solarnavigator n.d.). During that era, sugar prices soared from 3 cents to 28 cents per pound as demand skyrocketed. Caleb Bradham gambled on the fluctuations in sugar prices believing that sugar prices would continue to rise—they fell instead, leaving him a massive overpriced sugar inventory that contributed to Pepsi-Cola's downfall. On May 31st, 1923, the company officially filed for bankruptcy, its assets were purchased by Craven Holding Corporation for $30,000, and Caleb went back to his pharmacy (PepsiCo n.d.; Pepsistore n.d.).

In 1923, soon after its bankruptcy, the Pepsi-Cola trademark was purchased by a New York stockbroker, Roy C. Megargel, who moved the company's operations from New Bern to Richmond, Virginia. The company was still struggling and Megargel used his own funds to make up for the deficits the company incurred annually. According to Stoddard (2013: 8), *"By 1929, there was a glimmer of hope within the Pepsi-Cola Company. That ended in October of 1929 when the stock market crashed and the country plunged into the Great Depression."*

Despite his best efforts, Roy Megargel failed to save the company. Pepsi-Cola declared bankruptcy for the second time in 1931 (PepsiCo n.d.; Solarnavigator n.d.). That same year, Charles G. Guth, a successful entrepreneur and candy manufacturer, purchased the company's trademark and the syrup recipe. As president of Loft Incorporated, a large chain of candy stores and soda fountains, Guth saw Pepsi-Cola as an alternative to his unsatisfactory business relationship with the Coca-Cola Company for Loft's soda fountains (PepsiCo n.d.; Solarnavigator n.d.). Under Guth's leadership and with a $1 million in earnings for its new owner within 2 years of its purchase, Pepsi-Cola became a national icon, especially during the Great Depression (PepsiCo n.d.).

Throughout the 1930s, the company's sales and revenues soured, as Pepsi-Cola set up bottling franchises across the country and expanded internationally. The company's trademark was also registered in Latin America and the Soviet Union. Additionally, Pepsi-Cola awarded bottling franchises to bottlers in Canada (PepsiCo n.d.; Solarnavigator n.d.). In 1934, the company moved to a new headquarters in Long Island City, New York, and got its new president Walter S. Mack in 1938 (Stoddard 2013).

Despite competition and low profit margins compared to its competitors, Pepsi retained its market leadership through increased sales volume. Its catchy song about its low price, with *"twice as much for a nickel"* for lyrics, was also a big hit. Its tune, *"Nickel, Nickel,"* became the first advertising jingle to be played and heard coast-to-coast on network radio, making broadcast and advertising history (Zetaboards n.d.). Armed with its advertising team, the company's soft drink business grew larger than the candy company that owned it. Accordingly, the company changed its name from Loft Incorporated to the Pepsi-Cola Company (PepsiCo n.d.).

During World War II, Pepsi advertising was patriotic and uplifting. The company adopted a new red, white, and a blue color scheme for its bottles. Additionally, the era of aerial advertising and the writing of *"Pepsi-Cola"* in the sky at air shows and other events had begun.

Mack, a believer in progressive causes, realized that African Americans were an untapped market. Pepsi thus gained market share by targeting its advertising toward this African American *"niche market"* (Capparell 2007; Martin 2007; Stewart 2007). Pepsi-Cola started a series of advertisements *"showing African-Americans as fun-loving middle-class consumers* *living the American dream. In one ad, the small boy shown shopping for Pepsi with his mother was Ron Brown, who would become secretary of commerce"* (Martin 2007).

A New Era, a New Challenge!

After World War II, Pepsi-Cola moved its headquarters to Manhattan, New York and continued its worldwide expansion into Latin America, the Philippines, and the Middle East. At the same time, the company started experimenting with new bottle sizes and began using its first cans. The post-war marketplace brought with it a new phenomenon, the emergence of supermarkets, along with changing economics of soft drink production and distribution. Responding to these changes, Pepsi-Cola was forced to abandon its half price strategy relevant to its arch rival, Coca-Cola, and soon after, the popular and long-running *"Nickel, Nickel"* advertising was replaced with *"More Bounce to the Ounce"* as the company became more focused on positioning and de-emphasized price as its advantage point. Marketing Pepsi as the *"bargain drink"* was less desirable as the country was growing increasingly prosperous in the post-war era (Stoddard 2002).

Customers reacted negatively. A new cycle started at Pepsi-Cola: decreased revenue translated into less money for advertising. In return, less money going toward advertising resulted in decreased sales, ultimately resulting in decreased profit for the company. The results were not encouraging. The company made almost $7 million in 1947 and only a little over $3 million in 1948. Moreover, Pepsi had stayed out of the vending machine market while its competitors were adding machines across the country. By the time Pepsi reacted, it was late; the delay cost the company many prime locations (Zetaboards n.d.).

Although Mack was a big force in leading the Pepsi-Cola Company during its tough time, he was known as a very hands-on manager who rarely delegated responsibilities to others. By 1950, Pepsi's board of directors decided that the company needed a change in management style as Mack had made strategic errors in judgment during the last couple of years of his leadership.

The board thus brought in Alfred N. Steele in 1950 to become Pepsi-Cola's president. An experienced executive, Steele had been vice president at Coca-Cola (Zetaboard n.d.).

With vast marketing and sales experience at Coca-Cola, Steele transformed Pepsi-Cola into a modern soft drink company. Out of the belief that the Pepsi drink was too sweet for the modern customer, he reformulated Pepsi-Cola and updated its trademark. In 1953, Steele introduced the new slogan *"The Light Refreshment,"* referring to the newly adopted formula that contained less sugar. He had hoped that this new branding would elevate Pepsi's image from a *"bargain-basement"* drink. As Pepsi lacked the funds for a nationwide advertising campaign, Steele invested heavily in regional advertising. Once one region had recovered, he started concentrating on another region (Zetaboard n.d.). Under Steele's strategic leadership, Pepsi began to lose its reputation around 1958 as a bargain soda and started to become a fashionable young adult favorite. Steele also moved the company aggressively into supermarkets, vending machines, and overseas markets, more than tripling Pepsi's earnings in less than a decade (Zetaboard n.d.). In 1959, the company introduced Team, a lemon lime drink to diversify its offerings; unfortunately, Steele passed away that same year (Stoddard 2013).

The 60s

In 1963, Don Kendall, an executive in Pepsi's fountain sales department since 1947, became the company's president. It was during the mid-1960s that the United States witnessed a boom in its teenage population. This segment of the population – born shortly after World War II – was generally known as the *"Baby Boomers,"* but it was also referred to as the *"Pepsi Generation"* by PepsiCo (Stoddard 2013; Zetaboard n.d.). Pepsi advertising had shifted from the product itself to the people who consumed it. This new strategy inspired the *"Come Alive! You're in the Pepsi Generation"* advertisements in 1964 that were well received by many (Stoddard 2013; Zetaboard n.d.).

In 1963, Pepsi introduced Diet Patio Cola, a sugar-free drink to accommodate some customers' needs. However, it sales results were disappointing, due to inadequate funding and the fact that diet drinks were considered the drink for those with medical conditions (Stoddard 2013). As Pepsi focused more on its branding, the company introduced the drink again under the brand name of *"Diet Pepsi"* in 1964. Through the name change, Pepsi was able to promote both Pepsi and Diet Pepsi together (Stoddard 2013). In 1964, Pepsi purchased Mountain Dew, a drink created by Tip Corporation, a move that helped Pepsi bottlers compete with Sun Drop (Stoddard 2013).

The Merger of Pepsi-Cola with Frito Lay: The Emergence of PepsiCo, Inc.

In 1965, Pepsi-Cola merged with Frito Lay, a major snack company. Wall Street labeled the merger *"a marriage made in snack food heaven"* (Stoddard 2013: 22). The company's name became PepsiCo, Inc., and its two predecessors became divisions of PepsiCo, Inc. (Company-Histories n.d.). Throughout the next few decades, PepsiCo continued its success by expanding its presence around the globe and challenging soda industry leader Coca-Cola for market share with aggressive marketing campaigns and promotion. These campaigns included its famous *"Pepsi Generation," "Pepsi Challenge," "Join the Pepsi People Feelin' Free,"* and *"Puppies"* (Stoddard 2013; Zetaboard n.d.).

The company's success in the 1960s and 1970s was attributed to five distinct policies, all of which Kendall and his crew pursued diligently: (a) Advertising on a massive scale, (b) introducing new soft drink brands, (c) leading the industry in innovative packaging, (d) global outreach, and (e) diversification through acquisitions and various product lines (Company-Histories n.d.). During the *"Cola Wars,"* Pepsi invested in the fast food restaurant business—buying Pizza Hut in 1997, Taco Bell in 1978, and Kentucky Fried Chicken in 1982—with the sole purpose of blocking Coke from further dominating the fountain market. Its arch-rival Coke has created a strategic partnership with McDonald's, which accounted for 75-100 million gallons of Coke annually in the U.S. alone (Carpenter & Sanders 2009).

In 1983, Roger Enrico became the chief executive of PepsiCo, Inc. USA (Ivory 2016; Smith 2016). Under Enrico's leadership, the company moved further in the advertising arena and almost immediately signed a multimillion-dollar sponsorship deal with pop singer Michael Jackson. Jackson sang *"You're the Pepsi Generation,"* and moonwalked with a young Alfonso Ribeiro, who would later gain stardom as Carlton Banks on the sitcom *"The Fresh Prince of Bel-Air"* (Ivory 2016). Building on that success, other celebrities were recruited, including the likes of Lionel Richie and Madonna (Ivory 2016).

In 1986, PepsiCo president Don Kendall selected D. Wayne Calloway as his successor. Calloway, who held numerous executive positions within PepsiCo and had been instrumental in the success of Frito-Lay, decided to restrict PepsiCo's business to three business segments: (a) beverages, (b) snack foods and (c) restaurants (Applegate, Schlesinger & Votroubek 1994).

Due to Roger Enrico's successful marketing and operations for U.S. beverages, Pepsi had increased its market share significantly and was within a percentage point of the leader Coca-Cola by 1987. Enrico was promoted to CEO of PepsiCo Worldwide Beverages, a position he held from 1987 to 1991 (Encyclopedia of World Biography 2017). Craig Weatherup took charge of the U.S. beverages division after Enrico's promotion, and his biggest challenge was to meet the increasing customer demand for more choices of refreshment beverages. Accordingly, he expanded Pepsi's portfolio to include over 188 different beverages (Stoddard 2013).

By 1994 PepsiCo had eight businesses within its core segments: (a) Pepsi-Cola North America, (b) Pepsi-Cola International, (c) Frito-Lay, Inc., (d) PepsiCo Foods International, (e) Pizza Hut Worldwide, (f) Taco Bell Worldwide, (g) Kentucky Fried Chicken Corporation, and (h) PepsiCo Food Systems Worldwide. The heads of these businesses reported directly to Calloway.

In 1996, Roger Enrico was named chief executive and chairman of PepsiCo. A year later, he spun off the struggling company's restaurant division composed of Taco Bell, Kentucky Fried Chicken, and Pizza Hut chains into an independent public company, Yum! Brands (Ivory 2016; Smith 2016). Enrico also emphasized snack foods over beverages. Enrico oversaw PepsiCo's acquisition of Tropicana from Seagram for $3.3 billion in 1998.

In 2001, Steven S. Reinemund became PepsiCo's Chair and CEO, an executive who had spent 22 years working for PepsiCo in various capacities. During his CEO tenure at PepsiCo, revenues grew by $9 billion, net income rose 70%, earnings per share were up 80%, and PepsiCo's market cap exceeded $100 billion (WayBack Machine 2006). Reinemund led the acquisitions of several PepsiCo food and beverage companies, including Quaker Oats, Naked Juice, Izze and Stacy's Chips.

Upon Reinemund's retirement in 2006, PepsiCo named Indra Nooyi, who had joined the company in 1994, as its fifth CEO in PepsiCo's 44-year history (Marketwired 2009; Useem 2008). Nooyi had directed the company's global strategy for more than a decade and had led PepsiCo's restructuring, including the divestiture of its assets into Yum! Brands under Roger Enrico (Levine 2006). In 1998, Nooyi took the lead in the acquisition of Tropicana and the merger with Quaker Oats, which brought Gatorade to PepsiCo (Levine 2006; Marketwired 2009). She was named third on the *Forbes* 100 Most Powerful Women list in 2009 (Forbes, 2009) and second Most Powerful Woman in *Fortune*'s 2017 list (Fortune 2017). Useem (2008) asserted:

> *"As CEO, she has continued to pursue her unusual, and tremendously ambitious, vision for reinventing PepsiCo. She is trying to take the company from snack food to health food, from caffeine colas to fruit juices, and from shareholder value to sustainable enterprise."*

Appendix A provides a timeline of PepsiCo's important milestones.

PepsiCo, Inc. Business Portfolio in 2016

At the turn of the 21st century, PepsiCo was a leading global conglomerate food and beverage company with a massive brands portfolio, including Frito-Lay, Pepsi-Cola, Gatorade, Tropicana, and Quaker Oats. Through its own facilities, its authorized bottlers, its contracted manufacturers, and other third parties, PepsiCo produced, marketed, distributed, and sold a wide variety of beverages, foods, and snacks in over 200 countries and territories (PepsiCo 2017). Exhibits 3 and 4 display images of Frito Lay products and PepsiCo beverages. Throughout the years, PepsiCo had streamlined its operations. In 2016, the company was organized into six divisions that brought in over $62 billion in revenue. These divisions were:

1) Frito-Lay North America. This division included food and snack business in the United States and Canada. Frito-Lay made some of the bestselling savory snacks in the United States and around the world, including Cheetos, Doritos, Fritos, Lay’s, Ruffles, SunChips, and Tostitos (Hoovers 2017a). In addition, the company made Grandma’s cookies, Funyuns, Cracker Jack candy-coated popcorn, and Smartfood popcorn. Adding to the list, the company introduced a line of chips made with the fat substitute Olestra under the brand name *“Light”* (Hoovers 2017a). Frito-Lay made its healthier snacks and dips through its 50–50 joint venture with the Strauss Group. Finally, its Sabra Dipping joint venture enabled Frito Lay to make fresh hummus, spreads, Mediterranean salsas, and other vegetarian foods (Hoovers 2017a).

Exhibit 3. Images of Frito Lay Products

Source: Bing Images

Exhibit 4. Image of PepsiCo Beverages

Source: Bing Images

2) Quaker Foods North America. This division included cereal, rice, pasta, and other branded food in the United States and Canada.

3) North America Beverages. This division included beverages in the United States and Canada.

4) Latin America. This division included all PepsiCo beverage, food, and snacks in Latin America.

5) Europe and Sub-Saharan Africa. This division included all PepsiCo beverage, food, and snack business in Europe and Sub-Saharan Africa.

6) Asia, Middle East, and North Africa. This segment included all PepsiCo beverage, food, and snack business in Asia, Middle East, and North Africa.

Through mergers and acquisitions, PepsiCo built a $22 billion brand that consisted of $14 billion worth of beverage brands, eight carbonated (i.e., sparkling) and six non-carbonated (i.e., still), and $8 billion in food brands. See Exhibit 5 for PepsiCo's billion-dollar brands.

Exhibit 5. PepsiCo's 22 Billion Dollar Brands

Source: Sure Dividend

Sparkling Brands	***"Still" Beverages Brands****	***Food Brands*****
Pepsi	*Gatorade*	*Lay's*
Diet Pepsi	*Tropicana*	*Walkers*
Pepsi Max	*Aquafina*	*Doritos*
Mountain Dew	*Lipton***	*Ruffles*
Diet Mountain Dew	*Brisk*	*Fritos*
*7 Up***	*Starbucks RTD Beverages***	*Cheetos*
Sierra Mist		*Tostitos*
Miranda		*Quaker*

** A still beverage was a non-alcoholic drink without carbonation.*

***Lipton and Starbucks RTD Beverages had partnerships with Unilever (UL) and Starbucks (SBUX), respectively. Dr. Pepper/Snapple (DPS) owned the United States rights to 7 Up while PepsiCo owned the international rights.*

Each division's net revenue (in $ millions) and contributions to PepsiCo's consolidated net revenue for fiscal years 2014, 2015, and 2016 are shown in Exhibits 6-10.

Exhibit 6. PepsiCo Segment Net Revenue (in $ million) and Percentage Contributions to Consolidated Net Revenue

Source: PEPSICO 2016 Annual Report

	Net Revenue			% of Net Revenue		
	2016*	**2015**	**2014**	**2016**	**2015**	**2014**
FLNA	$ 15,549	$ 14,782	$ 14,502	25	23	22
QFNA	2,564	2,543	2,568	4	4	4
NAB	21,312	20,618	20,171	34	33	30
Latin America	6,820	8,228	9,425	11	13	14
ESSA	10,216	10,510	13,399	16	17	20
AMENA	6,338	6,378	6,618	10	10	10
	$ 62,799	**$ 63,056**	**$ 66,683**	**100**	**100**	**100**

**PepsiCo fiscal 2016 results included an extra week of results (53rd reporting week). The 53rd reporting week increased 2016 net revenue by $657 million, including $294 million in FLNA segment, $43 million in QFNA segment, $300 million in NAB segment, and $20 million in ESSA segment.*

Exhibit 7. PepsiCo 2016 Operating Profit per Division

Source: PEPSICO 2016 Annual Report

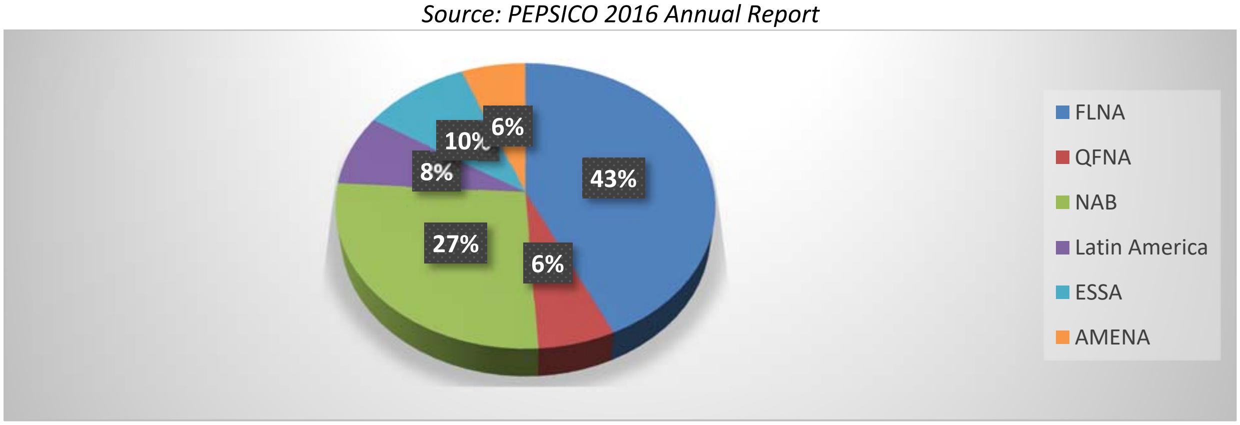
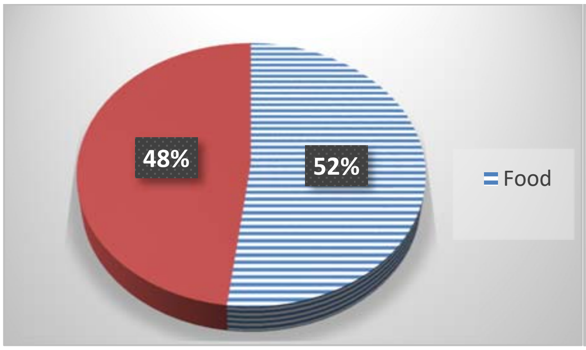


Exhibit 8. PepsiCo 2016 Net Revenue Mix (Food vs. Beverage and US vs. International)

Source: PEPSICO 2016 Annual Report



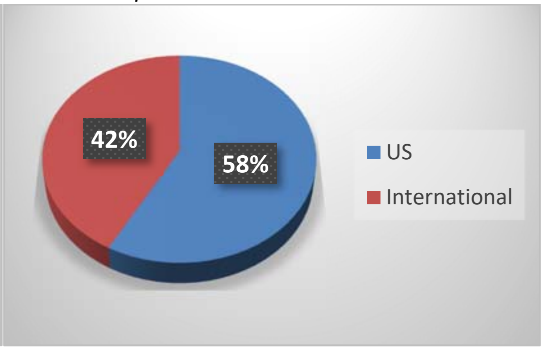


Exhibit 9. PepsiCo Consolidated Income Statements, 2012-2016

Source: Amigobulls.com

Fiscal year is January-December	**2016**	**2015**	**2014**	**2013**	**2012**
PepsiCo Revenues	**62.8B**	**63.06B**	**66.68B**	**66.42B**	**65.49B**
Cost of Goods Sold (COGS)	28.21B	28.38B	30.88B	31.24B	31.29B
PepsiCo Gross Profit	**34.59B**	**34.67B**	**35.8B**	**35.17B**	**34.2B**
Research & Development Expense	-	-	-	-	-
Selling General & Admin Expense	24.74B	26.24B	26.13B	25.36B	24.97B
Income Before Depreciation Depletion Amortization	9.86B	8.43B	9.67B	9.82B	9.23B
Depreciation Depletion Amortization	70M	75M	92M	110M	119M
Non-Operating Income	110M	59M	85M	97M	91M
Interest Expense	1.34B	970M	909M	911M	899M
PepsiCo Pretax Income	8.55B	7.44B	8.76B	8.89B	8.3B
Provision for Income Taxes	2.17B	1.94B	2.2B	2.1B	2.09B
Minority Interest	50M	49M	45M	47M	36M
Investment Gains Losses	-	-	-	-	-
Other Income	-	-	-	-	-
Income Before Extraordinaries & Disc Operations	6.38B	5.5B	6.56B	6.79B	6.21B
Extraordinary Items & Discontinued Operations	-	-	-	-	-
PepsiCo Profit/ Loss (Net Income)	**6.33B**	**5.45B**	**6.51B**	**6.74B**	**6.18B**
Average Shares used to compute Diluted EPS	1.45B	1.49B	1.53B	1.56B	1.58B
Average Shares used to compute Basic EPS	1.44B	1.47B	1.51B	1.56B	1.58B
Income Before Nonrecurring Items	7.04B	6.79B	7.07B	6.82B	6.45B
Income from Nonrecurring Items	-711M	-1.34B	-553M	-83M	-276M
PepsiCo Earnings Per Share Basic Net	4.40	3.71	4.27	4.32	3.92
PepsiCo Earnings Per Share Diluted Net	4.36	3.67	4.27	4.32	3.92
EPS Diluted Before Nonrecurring Items	4.85	4.57	4.63	4.37	4.10
Preferred Dividends Accounting Paid	-	-	-	-	-
Dividends Common	-	-	-	-	-
Dividend Per Share Common	2.96	2.76	2.53	2.24	2.13

Exhibit 10. PepsiCo Consolidated Balance Sheet Statements, 2012-2016

Source: Amigobulls.com

Fiscal year is January-December	2016	2015	2014	2013	2012
Cash	9.16B	9.1B	6.13B	9.38B	6.3B
Marketable Securities	6.97B	2.91B	2.59B	303M	322M
Receivables	6.69B	6.44B	6.65B	6.95B	7.04B
Inventory	2.72B	2.72B	3.14B	3.41B	3.58B
Raw Materials	1.32B	-	1.59B	1.73B	1.88B
Work in Progress	150M	-	173M	168M	173M
Finished Goods	1.26B	-	1.38B	1.51B	1.53B
Other Current Assets	1.55B	1.87B	2.14B	2.16B	1.48B
PepsiCo Total Current Assets	27.09B	23.03B	20.66B	22.2B	18.72B
Property Plant & Equipment	36.82B	35.75B	36.3B	36.96B	36.16B
Accumulated Depreciation	20.23B	19.43B	19.06B	18.39B	17.03B
PepsiCo Net Property Plant & Equipment	16.59B	16.32B	17.24B	18.58B	19.14B
Investment & Advances	1.95B	2.31B	2.69B	1.84B	1.63B
Other Non-Current Assets	-	-	-	-	-
Deferred Charges	-	-	-	-	-
Intangibles	27.86B	27.26B	29.05B	32.65B	33.5B
Deposits & Other Assets	636M	750M	860M	2.21B	1.65B
PepsiCo Total Assets	**74.13B**	**69.67B**	**70.51B**	**77.48B**	**74.64B**
Notes Payable	6.89B	4.07B	5.08B	5.31B	4.82B
Accounts Payable	14.24B	13.51B	13.02B	12.53B	11.9B
Current Portion Long-Term Debt	-	-	-	-	-
Current Portion Capital Leases	-	-	-	-	-
Accrued Expenses	-	-	-	-	-
Income Taxes Payable	-	-	-	-	371M
Other Current Liabilities	-	-	-	-	-
PepsiCo Total Current Liabilities	21.14B	17.58B	18.09B	17.84B	17.09B
Mortgages	-	-	-	-	-
Deferred Taxes/Income	5.07B	4.96B	5.3B	5.99B	5.06B
Convertible Debt	-	-	-	-	-
Long-Term Debt	30.05B	29.21B	23.82B	24.33B	23.54B
Non-Current Capital Leases	-	-	-	-	-
Other Long-Term Liabilities	6.67B	5.89B	5.74B	4.93B	6.54B
PepsiCo Total Liabilities	62.93B	57.64B	52.96B	53.09B	52.24B
Minority Interest	-	-	-	-	-
Preferred Stock	-151M	-145M	-140M	-130M	-123M
Common Stock Net	24M	24M	25M	25M	26M
Capital Surplus	4.09B	4.08B	4.12B	4.1B	4.18B
Retained Earnings	52.52B	50.47B	49.09B	46.42B	43.16B
Treasury Stock	31.47B	29.19B	24.99B	21B	19.46B
Other Liabilities	-13.82B	-13.21B	-10.56B	-5.02B	-5.38B
PepsiCo Shareholders Equity	11.2B	12.03B	17.55B	24.39B	22.4B
PepsiCo Total Liabilities & Shareholders' Equity	**74.13B**	**69.67B**	**70.51B**	**77.48B**	**74.64B**

Exhibit 11. PepsiCo Consolidated Cash-flow Statements, 2012-2016

Source: Amigobulls.com

Fiscal year is January - December	2016	2015	2014	2013	2012
PepsiCo Net Income Cash Flow	**6.38B**	**5.5B**	**6.56B**	**6.79B**	**6.21B**
Depreciation Depletion Amortization Cash-Flow	2.37B	2.42B	2.63B	2.66B	2.69B
Net Increase (Decrease) in Assets Liabilities	912M	992M	1.16B	958M	434M
Cash From (used in) Discontinued Operations	-	-	-	-	-
Other Adjustments Net	745M	1.67B	164M	-720M	-858M
PepsiCo Net Cash from (used by) Operating Activities	**10.4B**	**10.58B**	**10.51B**	**9.69B**	**8.48B**
Increase (Decrease) in Prop Plant And Equipment	-2.94B	-2.67B	-2.74B	-2.69B	-2.62B
Acquisition Disposition of Subsidiaries	-127M	-10M	115M	21M	-459M
Increase (Decrease) in Investments	-4.09B	-314M	-2.3B	61M	61M
Other Cash Inflow (Outflow) from Investment Activities	9M	-573M	-10M	-21M	12M
PepsiCo Net Cash from (used by) Investment Activities	**-7.15B**	**-3.57B**	**-4.94B**	**-2.63B**	**-3.01B**
Issuance (Purchase) of Equity Shares	-2.54B	-4.5B	-4.27B	-1.89B	-2.1B
Issuance (Repayment) of Debt Securities	2.21B	4.61B	1.67B	301M	3.55B
Increase (Decrease) in Bank & Other Borrowings	1.54B	25M	-2B	1.17B	-1.46B
Payment of Dividends & Other Cash Distributions	-4.23B	-4.04B	-3.73B	-3.43B	-3.31B
Other Cash from (used by) Financing Activities	81M	81M	64M	64M	14M
PepsiCo Net Cash from (used by) Financing Activities	-2.94B	-3.83B	-8.26B	-3.79B	-3.31B
Effect of Exchange Rate Changes on Cash	-252M	-221M	-546M	-196M	62M
PepsiCo Net Change in Cash & Cash Equivalents	**62M**	**2.96B**	**-3.24B**	**3.08B**	**2.23B**
Cash & Equivalents at Beginning of Year	9.1B	6.13B	9.38B	6.3B	4.07B
Cash & Equivalents at Year End	9.16B	9.1B	6.13B	9.38B	6.3B

PepsiCo's Industries

As a conglomerate, PepsiCo could be categorized under five industry classifications: (a) non-alcoholic beverage manufacturing, (b) soft drink manufacturing, (c) water and ice manufacturing, (d) breakfast cereal manufacturing, and (e) snack food manufacturing.

The Non-Alcoholic Beverage and Water Manufacturing Industry

According to the *New York Times* (2017), the *"non-alcoholic industry consists of companies engaged in manufacturing non-alcoholic beverages, such as water, fruit drinks, soft drinks, iced coffee and tea, as well as other flavored beverages."* Per Hoovers (2017b), the industry was dominated by major companies including Coca-Cola, Dr. Pepper, Snapple, and PepsiCo (all based in the United States), along with Britvic (United Kingdom), Cott (Canada), Danone (France), Nestlé (Switzerland), Red Bull (Austria), and Suntory (Japan). In this industry and as a result of the global demand for lighter, healthier, and replenishing drinks, *"bottled water is expected to be the fastest growing category in global packaged beverages over the next five years"* (Euromonitor 2017). Global sales of nonalcoholic beverages totaled more than $850 billion per year, and the worldwide market was growing despite weak carbonated soft drink sales (Hoovers 2017b). The leading regional markets for soft drinks were Latin America, North America, and Western Europe (Hoovers, 2017b). The U.S. nonalcoholic beverage manufacturing industry included about 1,200 establishments and had a combined annual revenue of about $50 billion. Refer to Exhibit 12 for the top coffee companies in the world and to Appendix B for the world's leading soft drink companies.

Exhibit 12. The Top Coffee Companies Worldwide in 2015 by Market Share

Source: Adbrands.net

1. Nestlé	6. Starbucks
2. Jacobs Douwe Egberts	7. Tchibo
3. Kraft Heinz	8. Lavazza
4. JM Smucker	9. Strauss Group
5. Keurig Green Mountain	10. 3 Corações (Strauss/Sao Miguel)

As of 2014, the U.S. beverage market significantly grew after having been essentially flat in 2013. According to the Beverage Marketing Corporation, 2014 had the strongest growth in several years (PR Newswire 2015). "*The vibrancy of the already-large bottled water segment, as well as more general ones, such as the continuing economic recovery, contributed to the overall increase in liquid refreshment beverage volume, which reached 30.9 billion gallons in*

2014" (PR Newswire 2015). Refer to Exhibit 13 for the top 10 liquid refreshment brands in the United States.

Exhibit 13. The Top 10 Liquid Refreshment Brands in the US

Source: Adbrands.net

1. Coke Family	6. Nestlé Pure Life (Nestlé Waters)
2. Pepsi Family	7. Sprite (Coca-Cola)
3. Mountain Dew (PepsiCo)	8. Dasani (Coca-Cola)
4. Dr. Pepper (Dr. Pepper Snapple)	9. Poland Spring (Nestlé Waters)
5. Gatorade (PepsiCo)	10. Arizona

In 2014 alone, bottled water was the U.S. consumer choice of a healthy, natural, zero-calorie refreshment beverage. Bottled water pricing also played a major factor in its upward growth by 7.3% (PR Newswire 2015). Energy drinks and ready-to-drink coffee outperformed the traditional categories of carbonated soft drinks and fruit beverages (PR Newswire 2015). Carbonated soft drinks remained by far the biggest liquid refreshment beverage category but continued to shrink in both volume and market share. According to the Beverage Marketing Corporation, soda volume had slipped by 1% from 12.9 billion gallons in 2013 to fewer than 12.8 billion gallons in 2014. That, in turn, has lowered soda's market share from slightly less than 43% to just above 41% (PR Newswire 2015). Although carbonated beverages had declined more slowly than it had done in previous years, some soda brands, such as Sprite and Mountain Dew, did achieve growth. In fact, carbonated soft drinks accounted for five of the 10 most valuable beverage trademarks in 2014, with Coca-Cola and Pepsi-Cola retaining their first and second positions respectively (PR Newswire 2015).

The sports beverage segment exceeded 1 billion gallons for the first time in 2011 and surpassed 1.4 billion gallons in 2014 with Gatorade (including all brand variations) becoming the sixth largest beverage trademark. In the same year, bottled water had four entries among the leading brands, up from three the year before. All four brands outperformed the liquid refreshment beverage category as a whole (PR Newswire 2015). According to Michael C. Bellas of the Beverage Marketing Corporation, "*Products that connect with what contemporary consumers want, like bottled water and functional offerings, added buoyancy to the ever-changing market*" (PR Newswire 2015).

In the U.S. market, the top 10 carbonated soft drinks manufacturers in 2014 were: (a) Coca-Cola, (b) PepsiCo, (c) Dr. Pepper Snapple, (d) Cott Corp., (e) National Beverage, (f) Monster Beverage Co., (g) Red Bull, (h) Rockstar, (i) Big Red Soda, and (j) private label and other (Beverage Digest as quoted in adbrands.net n.d.).

The Snack Foods and Breakfast Cereal Manufacturing Industries

The snack foods industry included companies who made items such as nuts, chips, popcorn, and peanut butter. Worldwide competition in the global snack food industry was fierce as a small number of multinational snack food companies controlled about half of the world's snack food market. Top makers of snack foods companies included Frito-Lay, Mondelez International, Snyder's-Lance, and Utz Quality Foods (all based in the United States), as well as Calbee Foods (Japan), Nongshim (South Korea), and United Biscuits located in the United Kingdom (Hoovers 2017c). According to Global Industry Analysts (Hoovers 2017c), the worldwide snack foods market was expected to exceed $630 billion in revenue by 2020 with Europe and the United States leading the way as the largest markets for snack foods. The industry witnessed double-digit sales growth in China and Brazil (Hoovers 2017c). The Asia/Pacific region was the world's fastest-growing snack foods market and had a projected compound annual growth rate of 7.2% through 2020. There were growth opportunities in Latin America, the Middle East, and Africa (Hoovers 2017c).

The breakfast cereal manufacturing industry included companies making ready-to-serve packaged cereals, as well as cereals that needed to be cooked such as oatmeal and farina. Major companies include General Mills, Kellogg, Post, Quaker (owned by PepsiCo), and

TreeHouse Foods, all based in the United States, along with The Jordans & Ryvita Company (United Kingdom), and Cereal Partners Worldwide, a joint venture between General Mills and Nestlé (Hoovers 2017d).

Although the snack foods industry did not include makers of cookies and candy, if one added candy and cookies to breakfast cereal and snack foods, the largest companies would be Nestlé, PepsiCo, Unilever, Coca-Cola, Mars, Mondelez, Danone, General Mills, Associated British Foods, and Kellogg's. Exhibit 14 shows the 10 largest food and beverage companies in the world in 2016.

These large companies had advantages in raw material purchasing, manufacturing efficiencies, distribution, and marketing budgets. Small manufacturers struggled when competing with these giant multinational corporations, but were able to compete effectively by using different distribution methods such as self-distributing products, selling online, or marketing snacks as gift items (Hoovers 2017c).

As changing consumer tastes drove snack and other food sales, manufacturers were usually aware of trends in different markets. Multinational companies often created new flavors to match regional taste preferences. For example, the snack food market in the Western hemisphere was driven by healthy, low-calorie snacks. On the other hand, Frito-Lay promoted sweet snacks in Shanghai and meat-flavored snacks in Beijing. Snacks and other foods items that were generally considered to be less healthy were becoming more popular in Asia, as more people incorporated Western-style convenience foods into their diets (Hoovers 2017c).

The U.S. snack foods manufacturing industry included about 650 establishments with a combined annual revenue of about $35 billion (Hoovers 2017c). Europe was the largest snack food region in the world, with strongholds in markets such as the United Kingdom, Germany, France, Spain, Italy, and Russia.

The United States was the second largest snack food market, with exports accounting for 4% of total U.S. snack food production and imports totaling less than 2% (Hoovers 2017c). The U.S. industry was highly concentrated with the top 50 companies accounting for about 90% of industry revenue. Of the world's 10 largest companies, six were headquartered in the United States (see Exhibit 19).

In the United States, consumers demanded convenient breakfast foods, and cereal manufacturers responded by producing/acquiring product lines such as toaster pastries and snack bars. These same companies were leveraging their cereal brands by extending them to snack mixes, cereal bars, and other co-branded desserts (Hoovers 2017d).

Exhibit 14. The Top 10 Largest Food and Beverage Companies in the World in 2016

Source: Businessinsider.com

Company	Major Brands	2015 Revenue	Headquarters
1. Nestlé	Nestlé brands included: Gerber baby food, Perrier, DiGiorno, and Hot Pockets. Its famous candy brands were: Butterfinger and KitKat.	$87 billion	Switzerland
2. PepsiCo	In addition to its non-alcoholic beverages, PepsiCo owned Frito-Lay and Quaker Oats, which produced an enormous variety of snack foods, including Ruffles, Lay's, Tostitos and Fritos brands. PepsiCo also owned healthier products including: Tropicana, some lines of the TAZO juice and tea brand, oatmeal, Mother's cereal and puffed wheat.	$63 billion	USA
3. Unilever	Unilever's diverse list of brands included Lipton tea, Magnum ice cream, and Hellmann's mayonnaise.	$59.1 billion	United Kingdom
4. Coca-Cola	Coca-Cola moved beyond soda, with beverage brands including Dasani, Fuze, and Honest Tea.	$44.3 billion	USA
5. Mars, Inc.	While Mars was best known for its chocolate brands, such as M&Ms, it also owned Uncle Ben's rice, Starburst, and Orbit gum.	$33 billion	USA
6. Mondelez	Mondelez, a snack-centric company owned famous brands such as Oreo, Trident gum, and Sour Patch Kids.	$29.6 billion	USA
7. Danone	The company was best known for the yogurts Activa, Yocrunch, and Oikos. Danone also sold medical nutrition products and bottled water.	$24.9 billion	France
8. General Mills	General Mills was best known for cereals like Cheerios and Chex. The company also owned brands such as Yoplait, Hamburger Helper, Haagen-Dazs, and Betty Crocker.	$17.6 billion	USA
9. Associated British Foods	This UK company owned brands such as Dorset Cereals and Twinings tea, as well as the retailer Primark.	$16.6 billion	United Kingdom
10. Kellogg's	In addition to Froot Loops and Frosted Flakes cereals, Kellogg's owned non-cereal brands including Eggo, Pringles, and Cheez-It.	$13.5 billion	USA

PepsiCo's Future

PepsiCo's success was built on a broad portfolio of mega brands, each of which generated more than $1 billion in annual sales, supported by nearly 700 manufacturing facilities worldwide. PepsiCo's growth strategy was to increase sales and customer satisfaction through the introduction of new products, while enhancing existing products through global research and development (Hoovers 2017e). PepsiCo was becoming more focused on meeting consumer demands for more health-conscious products. For example, in 2016, PepsiCo acquired KeVita, a leader in fermented probiotic drinks with 20,000 retail locations across North America (Hoovers 2017e).

In response to an ongoing concern about obesity, PepsiCo created a plan to reduce sodium, fats, and sugar in its products and introduced more whole grain foods to its line-up. Additionally, the company launched a new line of 100-calorie-per-portion products repackaged as Mini Bites, and a variety of real fruit and vegetable crisps called Flat Earth (Hoovers 2017a).

It had a goal to reduce the overall salt content of its products by 25%. The company made low-sodium versions of its top-selling brands, including Lay's and Ruffles potato chips, Tostitos tortilla chips, and Fritos corn chips, and worked with seasoning partners to improve the taste of its products (Hoovers 2017a).

These developments were coupled with a focus on improving the company's profitability over the long term. Accordingly, the company continued to focus on lowering overhead costs, utilizing its global scale, getting rid of redundancy, and implementing new cost-saving technologies (Hoovers 2017e). Starting in 2014, PepsiCo was able to cut costs by $1 billion in 3 consecutive years without compromising quality or efficiency. The savings were achieved through increased automation and restructuring of the company's global manufacturing and distribution (Hoovers 2017e).

Despite all the positive gains in recent years, studies concluded that snack foods were the key driver of the obesity epidemic and responsible for about 20% of the U.S. health care (Clark, 2013), PepsiCo faced a major challenge to accelerate and transform a winning model that profited from the sales of carbonated beverages and un-healthy snacks to a new giant that could benefit from healthy beverages and other foods.

While PepsiCo and its competitors faced many challenges, its future looked promising for success through innovation, leadership, and strategy. However, as consumers had grown more health conscious, PepsiCo investors and management had become fully aware that the decline in the consumption of carbonated beverages would continue. The big dilemma was whether PepsiCo would agree with its activist investors to spin off its beverages division. If so, what would PepsiCo do with it?

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Appendix A
PepsiCo's Important Event Timeline

Year	Important Event
1893	Caleb Bradham, a pharmacist started serving customers at a soda fountain in his drugstore refreshing drinks that he had created himself.
1898	One of Caleb's formulations, known as *"Brad's Drink,"* a combination of carbonated water, sugar, vanilla, rare oils and cola nuts, was renamed *"Pepsi-Cola."*
	Pepsi-Cola got its first logo.
1902	The popularity of Pepsi-Cola led Bradham to devote all of his resources and energy to develop Pepsi-Cola into a full-fledged business.
	Bradham applied for a trademark with the U.S. Patent Office and forms the Pepsi-Cola Company.
	The first Pepsi-Cola newspaper advertisements appeared in the *New Bern Weekly Journal*.
1903	Bradham moved the bottling of Pepsi-Cola from his drugstore into a rented warehouse.
	The company sold 7,968 gallons of syrup in the first year of its operation.
	Pepsi's theme line became *"Exhilarating, Invigorating, Aids Digestion."*
1904	Bradham moved all bottling and syrup operations into a new purchased building in New Bern.
	Pepsi is sold in six-ounce bottles. Sales increased to 19,848 gallons.
1905	Pepsi-Cola's established its first bottling franchises in Charlotte and Durham, North Carolina.
	Pepsi received its new logo, its first change since 1898.
1906	15 U.S. Pepsi-Cola bottling plants were in operation.
	The Pepsi trademark was registered in Canada.
	Syrup sales rose to 38,605 gallons.
1907	Pepsi-Cola Company continued its expansion as the company's bottling network grew to 40 franchises.
	Pepsi-Cola sold more than 100,000 gallons of syrup.
	Pepsi trademark was registered in Mexico.
1908	Pepsi-Cola became one of the first companies to modernize delivery from horse drawn carts to motor vehicles.
1909	The company had two hundred fifty bottlers in 24 states to bottle and distribute Pepsi drink.
1923	Caleb Bradham gambled on fluctuations of sugar prices during World War I era, believing that sugar prices would continue to rise- they fell instead, leaving Pepsi-Cola with an overpriced sugar inventory.
	Pepsi-Cola went bankrupt on May 31, 1923.
	Pepsi-Cola trademark was purchased by a New York stockbroker Roy C. Megargel.
1931	The company struggled and Roy Megargel used his own funds to make up for the deficits the company incurred annually.
	Pepsi-Cola was declared bankrupt in 1931, for the second time.
	Charles G. Guth, a successful entrepreneur and a candy manufacturer purchased the trademark and the syrup recipe of the twice bankrupt Pepsi-Cola Company.
1930's	Pepsi-Cola set up bottling franchises across the country and expanded internationally.
	Trademark was also registered in Latin America and the Soviet Union.
	Pepsi-Cola awarded bottling franchises to bottlers in Canada.

Year	Important Event
1934	Pepsi-Cola moved its operations to a new headquarters in Long Island City, New York.
1938	Walter S. Mack became the company's new president.
1939	World War II started when Germany attacked Poland.
	Pepsi purchased a sugar plantation in Cuba.
1940	Introduced its first standardized bottle.
1941	Japan bombed Pearl Harbor on December 7th, the U.S. was at war. Pepsi-Cola disrupted because of sugar rationing.
1945	World War II ended.
	Pepsi-Cola moved its headquarters to Manhattan, New York.
	Expansion with operations into Latin America, the Philippines, and the Middle East.
1947	Hired Edward F. Boyd, a young African American executive to focus on the untapped African Americans market.
1950	Al Steele became the company's president.
1953	Pepsi-Cola reformulated with less sugar. *"The Light Refreshment"* slogan.
1959	Introduced Team, a lemon lime drink.
	Steel passed away.
1963	Introduced Diet Patio Cola.
1964	Re-introduced its sugar-free drink under the brand name of *"Diet Pepsi."*
	Purchased Mountain Dew drink from the Tip Corporation.
1965	Merged with Frito Lay, a major snack company.
	Name changed to PepsiCo, Inc.
1977	Acquired Pizza Hut.
1978	Acquired Taco Bell.
1983	Roger Enrico became the chief executive of PepsiCo, Inc. USA
1986	PepsiCo acquired KFC from RJR Nabisco Inc.
1986	D. Wayne Calloway named PepsiCo CEO.
1996	Enrico named chief executive and chair of PepsiCo.
1997	PepsiCo spun off the company's restaurant division composed of Taco Bell, KFC, and Pizza Hut chains.
1998	Acquisition of Tropicana.
2000	Acquisition of Quaker Oats, which included Gatorade.
2001	Steven S. Reinemund became PepsiCo chairman and CEO.
2006	Indra Nooyi became PepsiCo CEO.

Appendix B
The World's Leading Soft Drinks Companies Ranked by Revenues
Source: Adbrands.net

1. ***The Coca-Cola Company*:** As the world's biggest drinks company, Coca-Cola Company controlled more than fifty percent of the global market in carbonated soft drinks in addition to a large number of non-carbonated drinks including brands such as Dasani, Minute Maid and Innocent.
2. ***PepsiCo:*** PepsiCo's biggest business was snacks, however, it remained the second largest soft drinks company globally. The company's Pepsi brand was out-grossed in sales by a broad portfolio that included other sports drinks such as: Gatorade, Tropicana, a large portfolio of juices, and Aquafina bottled water.
3. ***Nestlé:*** Nestlé was the world leader in bottled water. Additionally, the company had a substantial foods portfolio and Nescafe coffee. Nestlé's Pure Life was the global number one in its sector, supported by a portfolio of premium brands that included Perrier, Vittel, Poland Spring and Buxton. Nestlé was also the worldwide leader in the ready-to-drink (RTD) segment.
4. ***Suntory:*** Suntory was Japan's largest home-grown soft drinks company. In addition to its whisky and beer businesses, the company has a large drinks portfolio that was led by Boss RTD coffee and the local Pepsi license. In 2013, Suntory entered the European market through the purchase of Orangina Schweppes and later added Lucozade and Ribena.
5. ***Dr Pepper Snapple:*** The company was the third biggest marketer of carbonated soft drinks after Coke and Pepsi. While Dr Pepper Snapple was a spun off from what was then Cadbury Schweppes in 2008, it operated solely in North America and the Caribbean. In addition to its famous brands (Dr. Pepper and Snapple), the company also had a large portfolio of other drinks.
6. ***Danone:*** The number two bottled water company was strong in its core European market, but less dominant elsewhere. The company's global brands included Evian, Volvic and Badoit. Additionally, the company had regional products including Indonesia's Aqua and USA's Dannon.
7. ***Kirin:*** Although best-known for its beer, Kirin also controlled a collection of soft drinks in Japan including Fire coffee and the local license for Tropicana. The company was one of the biggest drinks companies in Australia; it also owned Pura milk and Berri juice.
8. ***Red Bull:*** The company was first introduced in Asia in the 1960s; it started a major shakeup in the global soft drinks market in the 1990s. Since its arrival in the West in 1987, the sickly sweet stimulant formula had created a whole new niche market of *"energy drinks."* Red Bull was the energy drink leader ahead of Coke and Pepsi.
9. ***Master Kong:*** One of China's biggest food and drink brands, as well as the local licensee for Pepsi. The company was a leader in Ready-to-Drink (RTD) teas, bottled water, instant noodles, and fruit juice.
10. ***Asahi:*** Asahi was best-known as a brewer. The company managed to become the number two soft drinks business in Japan, with Wonda coffee, Mitsuya Cider and Calpis brands. It also had a strong presence in Australia as it was Pepsi's local licensee and owner of Cottee's, Schweppes and Solo.

In addition to the above companies and brands, Jacobs Douwe Egberts was the world's biggest coffee company. The company was formed from the 2014 merger of Mondelez' coffee operations with DE MasterBlenders 1753.

Finally, Unilever was a global leader in tea-based beverages, both hot and cold. Its portfolio included Lipton, the world's top-selling tea brand. Additionally, Unilever owned a large collection of local brands that included: PG Tips, Brooke Bond, Red Label, Bushells, and Saga.

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