

Thesis — GLP-1

Estimates → base already in place: GLP-1 in NA = 11% of adults ≈ 20% of households.

Decline in savory snacks of 10%	→	<u>-2% drag on volumes</u>
GLP-1 annual penetration: +5%	→	-0.5% annual decline in volume
Worst-case scenario (applied to both estimates above): self-reported adherence overstates persistence; >1 yr treatment continuation decline	→	A rounding error for PEP if core base stable + growth in real consumption. (base not stable)

- Current GLP-1 state undistinguishable from other drags in PEP volumes.

Exception: GLP-1 adoption in emerging markets (growth vector for PEP) where cheaper generics are coming. **Watch this.**

Exiting thesis

I started w/ thesis to “enter”, now a new thesis but to hedge position and exit: **GLP-1 is not affecting the stocks, its fundamentals are:**

Decline growth in NA, inconsistent growth international.

→ p. 5–8

Stretched balance sheet, unhealthy dividends, very poor M&A execution.

→ p. 2, 4

Unable to offset high commodity costs.

→ p. 5–8

Q3'26, explicitly mentioned:
op. costs ↑ / commodity costs ↑

CONCLUSION

Q3'26: NA recovery “taking longer than expected”: low guidance for Q4 / 2027 seems weak.

NOT a cash cow, NOT a compounder → exit over 1 quarter.

→ Risk management started 8 Oct.

Q2'26 snapshot

PEP · 2 · Segments, capital, debt

Segment mix, Q2'26

	Share of total revenue	Operating margin	Share of total op. profit
PFNA US & Canada	26.3%	21.1%	29.7%
PBNA US & Canada	30%	14.5%	23.3%
US & Canada total	56.3%		53%
IB Franchise ← high growth	6.3%	41.8%	14.1%
EMEA	20.6%	15.1%	16.6%
LatAm Foods	12.2%	21%	13.6%
Asia Pacific Foods	4.6%	11.3%	3%

Shares outstanding

Q2'26	1,364,891,538	-0.3%
Q2'25	1,369,077,204	-0.4%
Q1'24	1,374,785,980	

\$1b spent every yr on buybacks → all return to shareholders is dividends.

Cash flow

	FY'25	FY'24	FY'23
CFO (ex SBC)	11.8b	12.1b	13.1b
CFO / Rev	12.6%	13.2%	14.3%
FCF (adj. CFO – capex)	7.4b	6.8b	7.5b
Div / FCF	103%	106%	89%

↳ Dividend King: 2010–2026 7% CAGR, non-repeatable → now a drag on competitiveness.

Debt, Q2'26

Net debt / TA: 37.9%

!!! 25% of debt is short-term: \$10.6b → assuming +100bps on rolling debt: +\$0.106b FY'26, or +9.5% YoY

1H'25 interest expense	\$1.121b	(+22% YoY)
1H'24 interest expense	\$0.919b	(+12% YoY)

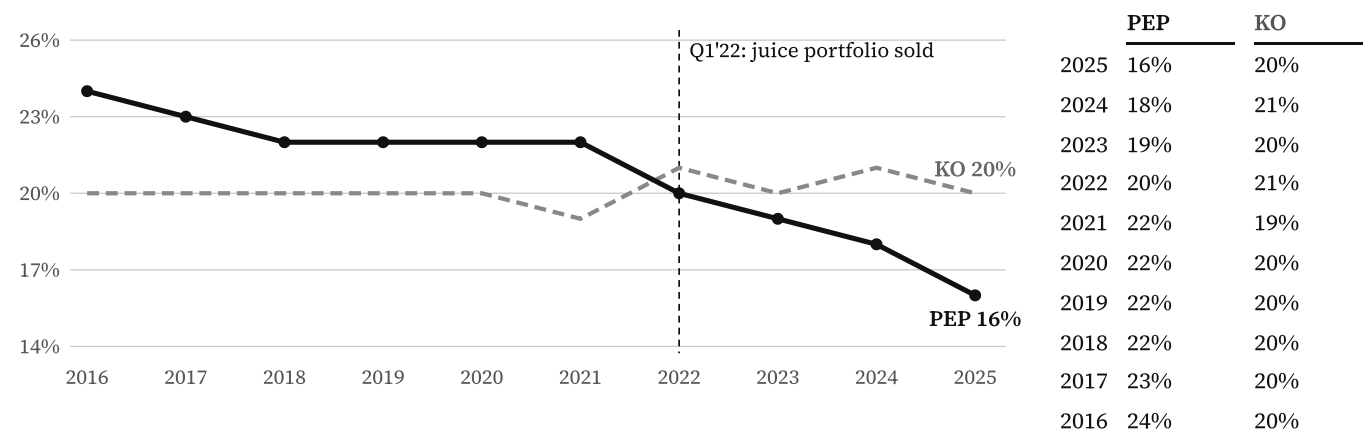
Watch list

☐ In the 10-K, watch for “carrying value”, to see early warnings for future impairments: SodaStream is on the edge.

Q1'26: pricing cuts in foods only brought volume ↑ 1 quarter; in Q2 flat.

Management move: price ↑ end '26, Q1'27.

Market share, US liquid refreshment beverage category



Why? Q1'22 sold off juice portfolio (Tropicana, Naked, etc.).

KO: bottling spin-off

	KO op. margin	Bottling revenue share
2015	19.7%	52%
2025	28.7%	12%

↳ Spin-off bottling is part of the **margin story gap**.

Then, the mix: **58% of PEP revenue is foods**.

Contrarian: against spin-off bottling

Being #2 → density disadvantage. Integrations try to solve this (July '26 in Texas, integration between Frito-Lay / Pepsi: snacks sell strongly, drinks don't, then spare room on beverage routes). Refranchising doesn't solve this: a sub-scale Pepsi bottler has the same density problem.

Maybe being the #2 conveys a higher bottler funding due to a stronger Coke bottler.

Retailers

14% of revenue: Walmart

In NA, PEP sells directly to retailers and absorbs their bargaining power directly. On the downside, PEP fights w/ retailers while KO lets bottlers fight against retailers first.

Refranchising

“Full refranchise not under consideration” & “a mosaic of structures” → Frito-Lay adjacency, difference from KO.

Very bad M&A execution

PEP · 4

2020	2022	2024	2025	Feb '26	Jul '26
Rockstar: \$4.7b all-in cost (6% market share)	TBG (juice sale), 39% equity share	TBG 39% equity share written off to 0	Rockstar -\$1.9b impairment · Celsius: \$1.1B purchasing	Pepsi Prebiotic Cola: US national launch	Pepsi Prebiotic Cola: silently discontinued

TBG (juice sale) – mild disaster

2022 equity share of 39% written off to 0 in 2024.

\$3.5b in cash ✓ → \$2.9b gain after-tax

\$0.95b → written off in equity value: -0.95

≈ \$1.95b gain

Rockstar Complete fiasco

\$4.7b all-in cost 2020
(6% market share)

-\$1.9b impairment 2025
≈ 40% of purchase

US/Canada brand moved to Celsius
@ \$0.5b value
(now 2% market share)

 \$1.9b impairment of \$4.7b cost

Celsius

Distribution margin on \$1.1B purchasing '25.

Alani Nu upside.

Celsius brand ↓ → preferred share of Celsius ↓ → **doubtful upside.**

Pepsi Prebiotic Cola

☒ Silence → **wrong signal.** Feb '26 US national launch.

Q3'26: silence → **silently discontinued in July '26.** Not a word by management.

Poppi 13 Oct '26

2027 \$300M earnout. Q3'26: the earnout is now valued at \$12M, after a Q3 decrease of \$105M (\$266M YTD) credited to SG&A.

→ Poppi probably won't meet targets in 2027.

→ The \$105M credit sits in SG&A: if it is inside PBNA's core results, its Q3'26 SG&A growth would be about +10.8%, not +7.27%.

Source: all from press release · unit volume: 10-Q · quantity measure: pounds (food) / 8-ounce case (beverage)

Q4'26 left blank for handwritten forecast-window entries

\$ millions	Q4'26	Q3'26	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25
Organic rev. PY		6,526	6,476	6,213	8,191	6,536	6,435	6,269
Organic rev.		6,514	6,364	6,259	8,132	6,366	6,326	6,171
YoY ch. %		-0.18%	-1.73%	+0.74%	-0.72%	-2.6%	-1.69%	-1.56%
Volume contr.		+0.5%	0%	+2%	-2%	-4.2%	-1.5%	-3%
▲ Price contr. (INF)		-0.68%	-1.73%	-1.3%	+1.28%	+1.6%	-0.19%	+1.44%
Physical volume (unit vol.) for the cost side		≈0% (+1%) savory (-4%) other foods	—	+2% (+2%) savory snacks volume	-1% (-) savory snacks	-4% (-4%) savory snacks (-2%) ↓ other foods	-1% (-2%) sav. snacks (+5%) other foods	-1% (-4%) savory (+9%) other foods

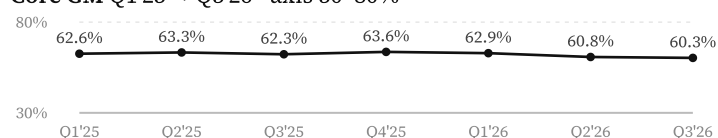
CORE NON-GAAP

Prev. yr gross profit		3,969	4,005	3,865	5,037	4,047	4,105	3,997
▲ Volume contr. (INF)		+33	0	+124	-164	-275	-97	-187
▲ Price/Mix (organic rev. ch. – volume contr.)		-44	-112	-78	+105	+105	-12	+90
FX + acq. (add (- org. rev.))		-10	+4	+73	+181	+160	+150	+43
Cost of sales g		+0.74%	+1.09%	+1.9%	+1.08%	+2.73%	+6.05%	+3.35%
Cost of sales \$ ch.		-19	-27	-44	-34	-68	-141	-76
▲ Reported gross profit (core)		3,928	3,870	3,940	5,175	3,969	4,005	3,865
SGA g		+6.13%	-0.64%	+6.3%	+4.15%	-0.87%	+4.88%	-0.39%
SGA \$ ch.		-147	+16	-145	-118	+21	-117	+9
Op. profit PY		1,570	1,488	1,575	1,952	1,627	1,705	1,698
▲ Reported core op. profit		1,382	1,369	1,505	1,912	1,570	1,488	1,575
Explanations other than net revenue change		(-) op. costs (-4%) commodity costs ↑	(-) op. costs ↑ (-) negative net pricing (+) productivity savings	(-) 5% unfavorable by gain in prev. year	(-) op. costs ↑ (-) restructuring charges	(-) op. costs ↑ (+) gain on asset sales (wasn't removed from core)	(-) op. costs ↑ (+) productivity savings (-) restructuring costs	(+) 5% gain on asset sales (-) op. costs ↑
Core GM		60.3%	60.8%	62.9%	63.6%†	62.3%	63.3%	62.6%
Core OM		21.2%	21.5%	24%	23.5%	24.7%	23.5%	25.5%

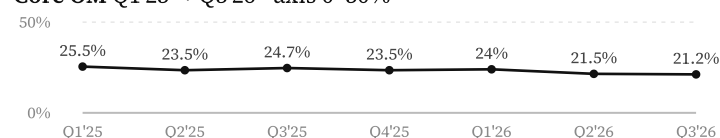
Core GM, Core OM: broken scale

† Corrected in v2, 21 Oct 2026 (v1: 63%).

Core GM Q1'25 → Q3'26 · axis 30–80%



Core OM Q1'25 → Q3'26 · axis 0–50%



Source: all from press release · unit volume: 10-Q · quantity measure: pounds (food) / 8-ounce case (beverage)

Q4'26 left blank for handwritten forecast-window entries

\$ millions	Q4'26	Q3'26	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25
Organic rev. PY		7,312	6,785	5,865	7,903	7,175	6,811	5,874
Organic rev. ex FX/Acq.		7,289	6,827	5,968	8,037	7,305	6,868	5,906
YoY ch. %		-0.31%	+0.62%	+1.76%	+1.70%	+1.81%	+0.84%	+0.54%
Volume contr.		-3%	-2%	-4%	-5%	-4%	-3.60%	-1.2%
Price contr.		+2.69%	+2.62%	+5.76%	+6.70%	+5.81%	+4.44%	+1.74%
Unit volume		-2% (-3%) NCB (-2%) CSD	-4% (-4%) NCB (-3%) CSD	-2.5% (-3%) CSD (-2%) NCB	-3% (-6%) NCB (-) CSD	-3% (-6%) NCB (-) CSD	-2% (-6%) NCB (+1%) CSD	-3% (-6%) NCB (-4%) CSD

CORE NON-GAAP

Prev. yr gross profit		3,920	3,806	3,117	4,201	3,987	3,759	3,121
Volume contr.		-219	-136	-235	-305	-287	-245	-70
Price/Mix		+196	+178	+338	+590	+417	+302	+102
FX / Acq.		+402	+405	+412	+155	+22	-72	-31
Cost of sales g		+3.76%	+14.4%	+12.53%	+3.44%	+6.87%	-2.03%	-3.41%
Cost of sales \$ ch.		-128	-430	-333	-146	-219	+62	+94
Reported gross profit (core) incl. FX/Acq.		4,171	3,823	3,299 [†]	4,344	3,920	3,806	3,217
SGA g		+7.27%	+0.68%	+5.26%	-0.96%	+0.17%	+1.63%	+0.88%
SGA \$ ch.		-214	-19	-138	+35	-5	-45	-23
Op. profit PY		975	992	595	543	1,047	992	522
Reported core op. profit incl. FX/Acq.		1,012	994	639	721	975	994	597
Explanations other than net revenue change		(+) acq. (+ tariffs refund)	(-) op. costs ↑ (-6%) commodity costs ↑	(+) prod. savings (+) M&A (-) op. costs ↑ (-5%) commodity costs ↑	(-) Rockstar impairment (-) op. costs ↑ (-) commodity costs (-) tariffs	(-) M&A op. costs ↑ (-13%) commodity costs (tariffs) (+) prod. savings, ads ↓	(-) impairment (Rockstar) (-) op. costs ↑ (-) M&A (+) productivity savings	(-) op. costs ↑ (-) restructuring costs ↑ (+) productivity savings
Core GM		57.2%	56%	55.28% [†]	54.05%	53.66%	55.42%	54.47%
Core OM		13.88%	14.6%	10.71%	8.97%	13.35%	14.47%	10.1%

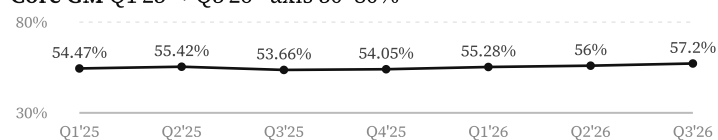
NCB = non-carbonated beverages · CSD = carbonated soft drinks

Core GM, Core OM: broken scale

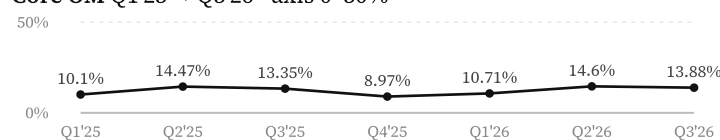
[†] Corrected in v2, 21 Oct 2026 (v1: 3,399 and 56.95%).

w/out FX/Acq., margin decline big time

Core GM Q1'25 → Q3'26 · axis 30–80%



Core OM Q1'25 → Q3'26 · axis 0–50%



IB Franchise

Share of total, Q2'26 (p. 2): revenue 6.3% · op. profit 14.1%

PEP · 7 · Segment operating profit breakdown

Source: all from press release · unit volume: 10-Q · quantity measure: pounds (food) / 8-ounce case (beverage) Q4'26 left blank for handwritten forecast-window entries

\$ millions	Q4'26	Q3'26	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25
Organic rev. PY		1,291	1,368	759	1,524	1,290	1,326	739
Organic rev.		1,387	1,494	796	1,549	1,278	1,391	791
YoY ch. %		+7.44%	+9.21%	+4.87%	+1.64%	-0.93%	+4.9%	+7.04%
Volume contr.		+5.5%	+6%	-3%	+1%	-5%	+1%	+5%
Price contr.		+1.94%	+3.21%	+7.87%	+0.64%	+4.07%	+3.9%	+2.04%
Unit volume		+5% (+) India (-) Mexico, China	+5% (+) India (-) Mexico	+0.5% (-) Mexico	+1.5% (+) ME, China, Pakistan	-1% (-) Mexico, India (+) Middle East	+1% (+) ME, China, Pakistan (-) India	+3% (+) India, China, ME, Mexico

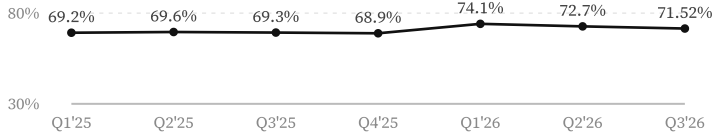
CORE NON-GAAP

Prev. yr gross profit		886	968	547	1,045	904	926	522
Volume contr.		+71	+82	-23	+15	-65	+13	+37
Price/Mix		+25	+44	+60	+10	+53	+52	+15
FX / Acq.		+14	+29	+28	+30	+13	-23	-32
Cost of sales g		+0.99%	+9.25%	+10.38%	+6.9%	+4.92%	—	-2.30%
Cost of sales \$ ch.		-4	-37	-22	-33	-19	—	+5
Reported gross profit (core)		992	1,086	590	1,067	886	968	547
SGA g		+14.13%	+4.19%	-2.24%	-5.93%	-13%	+1.42%	+2.68%
SGA \$ ch.		-53	-18	+6	+34	+56	-6	-7
Op. profit PY		511	538	279	472	473	502	261
Reported core op. profit		564	638	328	528	511	538	279
Explanations other than net revenue change		(+) prior Rockstar impairment	(+) prod. savings (-) op. costs ↑	(-) op. costs ↑ (+) net pricing (+) +4% FX	(+) tax reserve (+) ↓ sales + mkt. (-) impairment	(-) 5% tariffs (+) prod. savings (+) ↓ ads & mktg. (-) op. costs ↑	(+) ↓ ads & mkt. (-) 3% ↑ commodity costs	(-5%) FX
Core GM		71.52%	72.7%	74.1%	68.9%	69.3%	69.6%	69.2%
Core OM		40.66%	42.7%	41.2%	34.1%	40%	38.7%	35.3%

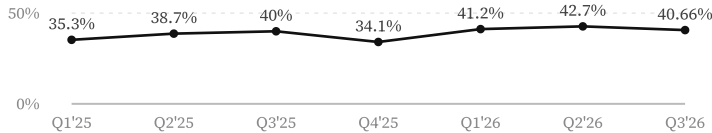
ME = Middle East



Core GM Q1'25 → Q3'26 · axis 30–80%



Core OM Q1'25 → Q3'26 · axis 0–50%



Source: all from press release · unit volume: 10-Q · quantity measure: pounds (food) / 8-ounce case (beverage) Q4'26 left blank for handwritten forecast-window entries

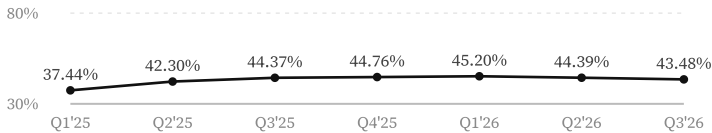
\$ millions	Q4'26	Q3'26	Q2'26	Q1'26	Q4'25	Q3'25	Q2'25	Q1'25
Organic rev. PY		5,022	4,536	2,388	5,430	4,612	4,183	2,433
Organic rev. ex FX/Acq.		5,455	4,830	2,544	5,699	4,864	4,466	2,620
YoY ch. %		+8.62%	+6.48%	+6.53%	+4.95%	+5.46%	+6.77%	+7.69%
Volume contr.		+1.30%	+3.2%	+6.53%	-3%	0%	-4%	-8%
Price contr.		+7.32%	+3.28%	-	+7.95%	+5.46%	+10.77%	+15.69%
Unit volume		F (-1%) B (+4%)	F (+4%) B (+1%) (+) ME, Russia, SA (-) Turkey	F (+9%) SA, ME B (+2%) ME (-) Turkey, Russia	F (-5%) B (-)	F (-1%) (+) ME, Pakistan (-) SA, UK, Russia B (+1.5%) (+) ME (-) Turkey, Russia	F (-6%) (-) SA, UK, Russia, ME B (+1%)	F (-9%) B (-4%)

CORE NON-GAAP

Prev. yr gross profit		2,158	1,898	981	2,246	2,034	1,777	962
Volume contr.		+65	+145	+156	-163	0	-167	-195
Price/Mix		+368	+149	0	+432	+252	+451	+382
FX / Acq.		-42	• +153	• +279	+380	+158	+70	-232
Cost of sales g		+6.18%	+7.62%	+18.91%	+10.8%	+11.1%	+9.64%	-4.35%
Cost of sales \$ ch.		-177	-201	-266	-344	-286	-232	+64
Reported gross profit (core) incl. FX/Acq.		2,372	2,144	1,150	2,551	2,158	1,898	981
SGA g		+6.07%	+10.96%	+13.50%	+14.35%	+5.80%	+5.80%	+2.47%
SGA \$ ch.		-82	-136	-101	-70	-74	-68	-18
Op. profit PY		808	657	233	638	758	604	232
Reported core op. profit incl. FX/Acq.		940	767	301	873	808	657	233
Explanations other than net revenue change		(-)	(+) prev. Rockstar impairment (-) op. costs ↑ (+) prod. savings	(+12%) FX (-) op. costs ↑ (-10%) inv. income (+) prod. savings	(-)	(+4%) FX (+) prod. savings (+) ↓ ads & mktg. (-18%) ↑ commodity costs	(-) Rockstar impairment (-26%) commodity costs ↑ (-) op. costs ↑	(-42%) ↑ commodity costs (-12%) FX
Core GM		43.48%	44.39%	45.20% [†]	44.76%	44.37%	42.30%	37.44%
Core OM		17.23%	15.88%	11.83%	15.32%	16.61%	14.71%	8.89%

F = foods · B = beverages · ME = Middle East
Core GM, Core OM: margin mismatch between core & organic → profit incl. FX/Acq. / numerator benefit
[†] Corrected in v2, 21 Oct 2026 (v1: 48.16%).
w/out FX/Acq., worsening

Core GM Q1'25 → Q3'26 · axis 30–80%



Core OM Q1'25 → Q3'26 · axis 0–50%

