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PepsiCo \$1.2billion Acquisition of Siete Foods

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DEAL OVERVIEW

Acquirer: PepsiCo, Inc.

Target: Siete Foods

Total Transaction Size: \$1.2bn

Closed Date: January 2025

Target Advisors: Lazard

Acquirer Advisors: Centreview Partners LLC and Citi Bank

The acquisition of PepsiCo and Siete Foods was a \$1.2 billion all-cash transaction, announced on 1st October 2024 and closed on 17th January 2025.

PepsiCo strategically funded its acquisition of Siete Foods, not financed by issuing equity or taking on debt. Although PepsiCo issued \$3.5 billion of long-term debt in the same quarter of the transaction, it wasn't directly linked to the Siete Foods deal.

Strategically, Siete Foods aligns closely with PepsiCo's long-term focus on expanding its presence in the better-for-you snacks category, diversifying its portfolio. This deal adds a fast-growing premium brand that resonates with the recent boom in the wellness industry, giving PepsiCo an edge in this new space.

It was a smooth deal, with no antitrust concerns and investors seemed generally happy with the acquisition. However, there were some brand image risks for Siete Foods and potential pressure on margins due to Siete Food's use of expensive, non-processed ingredients, tempting PepsiCo to decrease the product quality to sustain its margins.

COMPANY DETAILS (ACQUIRER – PEPSICO, INC.)

PepsiCo, Inc. was founded in 1898 in Purchase, New York by Caleb Bradham. PepsiCo engages in the manufacture, marketing, distribution, and sale of various beverages and convenient foods worldwide. The company operates all around the world, distributing to over 200 countries. PepsiCo has an expansive product portfolio, consisting of snack, drinks and alcoholic beverages.

Founded: 1898

Headquarters: Purchase, Harrison, New York, United States

CEO: Ramon Luis Laguarta

Number of employees: 319,000

Market Cap: \$199.436 billion

Enterprise Value (EV): \$241.769 billion

LTM Revenue: \$93.4 billion

LTM EBITDA: \$18.1 billion

LTM EV/Revenue: 2.59

LTM EV/EBITDA: 13.36

Recent Transactions: Acquisition of Poppi for \$1.95 billion in May 2025.

COMPANY DETAILS (TARGET – SIETE FOODS)

Siete Foods, also known as Garza Foods, was a Mexican American family-owned food brand founded in 2014 by Miguel Garza and his family. Siete Foods makes a variety of Mexican American inspired food products such as different types of grain, paleo, gluten and preservative-free tortillas, chips, taco shells, dips and sauces, cookies and seasoning. Siete Foods initially sold products through home sales and a local co-op, then expanded distribution into national retailers like Whole Foods, Target, and Kroger before being acquired by PepsiCo for \$1.2 billion on 17/01/2025

Founded: 2014

Headquarters: Austin, Texas, United States

CEO: Miguel Garza

Number of employees: 144

Market Cap: N/A

Enterprise Value (EV): \$1.2 billion

LTM Revenue: \$500 million

LTM EBITDA: N/A

LTM EV/Revenue: 2.4

LTM EV/EBITDA: N/A

PROJECTIONS AND ASSUMPTIONS

SHORT-TERM CONSEQUENCES

When the deal was first announced on 1st October 2024, PepsiCo's share price dropped by 2.8%. According to analysts, the announcement of the deal wasn't a main driver of the drop in share price, but it did have an effect. Short-term investors saw the deal as hurting PepsiCo's fundamentals due to its small size. However, over the next week, share price rose by 6.5%. After the deal closed on the 17th of January 2025, the share price shot up 5.6% the following week because investors learned it would generate cost savings and boost profit margins due to Siete Foods' key position in PepsiCo's "better for you" portfolio.

Following the acquisition, PepsiCo is planning on expanding this portfolio and its multicultural food offerings to achieve cost synergies whilst preserving Siete Foods brand authenticity. The healthy food industry has also been growing with a CAGR of 10-12%, thus we anticipate investors will see this deal as a reason to add PepsiCo to their portfolio to gain a market share in this industry.

As for financial metrics, PepsiCo's assets and revenue has been increasing every quarter this year.

LONG-TERM CONSEQUENCES

By acquiring Siete Foods, PepsiCo are strategically positioning themselves for growth in the expanding healthy food industry. This is also shielding them from any potential VATs on processed food, especially if the healthy food industry becomes mainstream and PepsiCo sees a large portion of their revenue coming from products in their "better for you" portfolio.

PepsiCo is adapting to evolving consumer preferences by shifting its focus from traditional soft drinks toward active and functional nutrition to evade the regulatory pressure of sugar tax as mentioned above. Although PepsiCo has a presence in global plant-based foods, to expand, PepsiCo could begin co-developing some of these products with

their joint venture partners, Beyond Meat. Furthermore, they could expand their M&A deal geodiversity and stop focusing solely on small brand acquisitions and take on megadeals such as a big energy drink deal to rival Red Bull and Monster as they do have the ability to. For ESG, PepsiCo could commit to using more environmentally friendly packaging (recyclable/ biodegradable). PepsiCo currently works with a variety of farmers globally that supply their products, but PepsiCo could consider vertical integration for key crops such as potatoes to have more control and safety over their supply chain, since commodities have been more volatile recently and PepsiCo uses huge volumes of agricultural products as inputs in their production processes. PepsiCo would also obtain stronger pricing power following vertical integration.

PepsiCo has a reputation for being very strong, disciplined and integration-focused in their acquisitions of other companies as they double down on snacks and beverages and trim every other product. PepsiCo has acquired many fast-growing niche brands, especially in the “better-for you” sector such as Bare Foods (2018), Muller Quaker Dairy (2012) and Kevita (2016). PepsiCo has a strategy and consistent thesis to gain footholds in trends before they become mainstream and they’re able to do this by being one of the best distribution-platform buyers in the industry.

RISKS AND UNCERTAINTIES

Operational

The whole point of acquiring Siete Foods was to enhance PepsiCo’s image of authenticity and healthiness, but the large-scale corporate processes could unintentionally dilute this identity which may upset Siete Food’s already established and loyal customer base. Therefore, PepsiCo must be very careful with how they present Siete Foods while also trying to grow them to not deteriorate their image of a healthy snack brand or slow down their integration.

Regulatory

PepsiCo’s acquisition of Siete Foods has been fully finalised and has received full regulatory approval.

Financial

PepsiCo paid a high multiple for Siete Foods at \$1.2billion so PepsiCo did also accumulate long term debt in the same quarter as the acquisition. PepsiCo also now carries a higher margin risk with Siete Foods in their portfolio because Siete Foods’ all-organic ingredients carry higher production costs which may force to PepsiCo to abandon the core value of Siete Foods and use cheaper, alternative ingredients, ruining Siete Foods’ original brand image, upsetting investors and customers.

Legal

There were no known lawsuits or anti-trust cases between PepsiCo and Siete Foods before PepsiCo acquired Siete Foods.

Industry

With the “better-for-you” snack industry rapidly expanding, it is also attracting competition, so it’s crucial PepsiCo keep Siete Foods at the forefront of the healthy snack trend to maintain market share and customer preferences. To do so, PepsiCo must stay on top of product innovation and adapt quickly to changes in the expectations or ingredients of healthy snacks to maintain their competitive edge in the “better-for-you” industry.