

Deal of the Week: PepsiCo to Buy Rockstar Energy Beverages for \$3.9B

Announcement Date	<ul style="list-style-type: none"> March 11, 2020 	
Acquirer	<ul style="list-style-type: none"> PepsiCo, Inc. (NASDAQ: PEP) 	
Acquirer Description	<ul style="list-style-type: none"> Operates as a food and beverage manufacturer and distributor worldwide. It offers branded dips, cheese-flavored snacks, and tortillas, as well as corn, potato, and tortilla chips; cereals, rice, pasta, mixes and syrups, granola bars, grits, oat squares, oatmeal, rice cakes, simply granola, and side dishes; beverage concentrates, fountain syrups, and finished goods; ready-to-drink tea, coffee, and juices; and dairy products Food and beverage portfolio includes Cheetos, Doritos, Fritos, Lay's, Tostitos, Aunt Jemima, Quaker, Pepsi, Gatorade, Mountain Dew, Tropicana and 7UP Products include 23 brands that generate \$1 billion+ each in annual retail sales Founded in 1898 and headquartered in Purchase, NY 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$167.1 billion EV: \$193.4 billion LTM Revenue: \$67.2 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$12.6 billion LTM EV / Revenue: 2.9x LTM EV / EBITDA: 15.4x
Target Company	<ul style="list-style-type: none"> Rockstar Energy Beverages 	
Target Description	<ul style="list-style-type: none"> Produces beverages that are designed for those who lead active lifestyles from athletes to rock stars Products available in 30+ flavors at convenience and grocery outlets in 30+ countries Founded in 2001 and headquartered in Las Vegas, NV 	
Target Financial Statistics (was privately held prior to purchase)	<ul style="list-style-type: none"> Mkt Cap: NA EV: NA LTM Revenue: NA 	<ul style="list-style-type: none"> LTM EBITDA: NA LTM EV / Revenue: NA LTM EV / EBITDA: NA
Acquirer Advisor	<ul style="list-style-type: none"> Centerview Partners LLC 	
Target Advisor	<ul style="list-style-type: none"> Goldman Sachs 	
Price / Consideration	<ul style="list-style-type: none"> \$3.9 billion 	<ul style="list-style-type: none"> Cash
Rationale	<ul style="list-style-type: none"> Pepsi wants to push further into the growing energy drink segment as soda consumption declines in the U.S. Taking on a legacy brand like Rockstar gives Pepsi a firm foothold in the energy category during a disruptive period in its growth. Presently, Pepsi has a thin portfolio of its own energy drinks housed under the Mountain Dew brand Pepsi has had a distribution agreement with privately held Rockstar in North America since 2009 that restricted it from innovating in energy drinks or partnering with others. Pepsi will now be able to form partnerships with other energy drink makers and further expand into the energy drink category Through December 2019, energy drinks overall were up 12% (\$12.5 billion) but Rockstar was down 3.6% (\$199.8 million), putting Rockstar fourth behind Red Bull, Monster, and Bang. However, with Rockstar already entrenched within the Pepsi system, it will allow the company more flexibility to innovate "This highly strategic acquisition will enable us to leverage PepsiCo's capabilities to both accelerate Rockstar's performance and unlock our ability to expand in the category with existing brands such as Mountain Dew," said PepsiCo Chairman and CEO, Ramon Laguarta 	
Deal Points	<ul style="list-style-type: none"> \$3.85 billion purchase price will be paid for in cash As part of the purchase agreement, Pepsi will contribute \$700 million in payments related to future tax benefits associated with the transaction, with 15 year terms 	
Of Note	<ul style="list-style-type: none"> The deal is Pepsi's largest since its \$3.2 billion acquisition of SodaStream International in 2018 The transaction is not expected to have a material impact on Pepsi's revenue and earnings per share in 2020 	