

Coca-Cola vs. PepsiCo

One Stands Out as a Better Long-Term Investment Option



When it comes to non-alcoholic beverage companies, there's **Coca-Cola** and **PepsiCo** -- and then there's everyone else. In the U.S., the two account for around 71% of the carbonated soft drink market. Their dominance makes them attractive investment opportunities.

For investors, there's no "wrong" option to go with. Each is a “blue chip” stock – a favorite and fairly safe investment. However, each company has its own unique strengths and focus areas. Let's see which may be a better choice for an investor looking to buy stock in one of these companies.

Coca-Cola's Power as a Beverage Company is Stronger

Coca-Cola is the market leader in non-alcoholic beverages, but one thing that may surprise people is just how much more revenue PepsiCo brings in. In Q2 2023, Coca-Cola made around \$12 billion in revenue, more than \$10 billion less than PepsiCo made. Pepsi, however, has higher costs and this reduces what the company makes.

Despite the gap in revenue, both companies are similar in net incomes (what is left after costs), which proves that Coca-Cola's has higher profits.

Higher profit margins, or how much companies make compared to costs, are important because they give companies more financial flexibility. Companies with higher margins usually have more cash coming in.

Coca-Cola can operate at higher margins because of it focuses on beverages. As the soft drink market leader, it has the power to determine prices of soft drinks. The Coca-Cola Company controls and markets more than 500 beverage brands. These range from energy, water, juice drinks, sports drinks, ready-to-drink teas and coffees, and sparkling beverages.

Do some internet searches to see what products Coca-Cola owns. This list, if a complete listing can be found, is amazing. Coca-Cola has been consistently ranked as the top soft drink brand worldwide, with a global brand value of over 89 billion U.S. dollars.

PepsiCo's Strengths

PepsiCo owns many popular soft drinks including all the Pepsi variations, Mountain Dew, Gatorade, Propel, Sierra Mist, Mirinda, Mug root beer and Manzanita Sol. It also owns some brands that will surprise many. PepsiCo sells worldwide. Its global brand value in 2023 is 18 billion U.S. Dollars

PepsiCo products include: Quaker Oats, Tropicana juices, Sabra, Stacy's Pita Chips, Pearl Milling Company (pancakes, waffles, syrup, and more), Naked Juice, Starbucks bottled beverages (not the coffee shops), Rice-A-Roni and Pasta Roni, Fritos, Lays Potato Chips, Ruffles, Doritos, Tostitos, Miss Vickie's, SunChip, Cheetos, Chester's, Smartfood, Cracker Jack, Munchies, Funyuns, Matador, Life and Captain Crunch cereals, Aquafina and LIFEWTR, Lipton, Kevita, SoBe, Kickstart, Amp, Game Fuel.

This is only a partial listing. The point? PepsiCo is in the snack and breakfast food markets and has many product leaders.

Both companies share their profits with stockholders. Sharing profits like this is called paying dividends. Coca-Cola has increased its dividend annually for 61 straight years. PepsiCo has a 50-year streak. Each has impressive results that other publicly traded companies cannot match.

Lately, PepsiCo has been increasing its dividend by larger percentages. PepsiCo has boosted its payouts by 36% in the past five years compared to Coca-Cola's 18%.

For long-term investors, the better choice now seems to be Coca-Cola. The stock is more expensive, with a price-to-sales ratio of 5.6, compared to PepsiCo's 2.7. Both Coca-Cola and PepsiCo have strong foundations to be stable and high-yielding stocks for years to come.

Between its top-tier brands, impressive profit margins, and its long dividend streak, Coca-Cola appears to be more appealing. Many investors choose Coca-Cola stock's reliability and a shareholder-friendly company.

One of America's most famous investors is Warren Buffett. Coca-Cola is one of his top holdings. He believes this stock is a great buy and, if investors hold on to it, they will earn money in 2 ways: Regular and steady dividends (stock owner's share of profits) and higher stock prices over the years (appreciation).