

PROJECT MERIDIAN

Hypothetical acquisition of Celsius Holdings, Inc. by PepsiCo, Inc.

Investment recommendation · 30 August 2026 · US\$ millions except per share data

RECOMMENDATION

Acquire Celsius Holdings at \$42.00 per common share, paid 75% in cash and 25% in PepsiCo stock. That is a 27.3% premium to the unaffected price of \$32.98 and a 37% discount to the 52-week high of \$66.74. The offer values the diluted common equity at \$11.0bn and the transaction at \$11.3bn after Celsius's debt and cash. Including the preferred PepsiCo already owns, enterprise value is \$13.0bn, or 18.8x 2025 pro forma adjusted EBITDA.

With closing assumed on 31 December 2026, the deal is roughly neutral to PepsiCo EPS in 2027 (+0.1%), then accretive by 2.2% in 2028 and 3.4% in 2029. Year 1 needs \$216m of run-rate synergies against \$246m assumed; from Year 2 it is accretive even without synergies. Leverage rises from 2.4x to 2.8x net debt / EBITDA, still below 3.0x.

The case rests on synergies and international distribution, not on Celsius being cheap.

VALUATION

Five methods, all calculated in the model:

Methodology	Low	Base / median	High
Trading comps, EV / EBITDA (25th to 75th pct)	\$21.19	\$39.93	\$68.92
Precedent transactions, EV / EBITDA	\$28.82	\$30.15	\$31.48
DCF, Gordon growth	\$21.02	\$24.42	\$28.84
DCF, exit multiple (13x to 15x)	\$31.41	\$34.62	\$37.97
52-week trading range	\$23.56		\$66.74
Offer price		\$42.00	
Market price, 28 Aug 2026		\$32.98	

The DCF discounts unlevered free cash flow at a 10.0% WACC: cost of equity of 10.3% on a 4.73% Treasury yield and a 1.12 beta, and 6.75% pre-tax on Celsius's term loan. Diluted shares use the treasury stock method, debt is taken at principal and PepsiCo's preferred at its \$1,760m carrying value. Comps and precedents use 2025 pro forma EBITDA (\$694m), so Alani Nu and Rockstar count for a full year, as in the peers' numbers.

The offer is above both DCF ranges and the precedents, and a little above the comps median of 18.0x. Paying above standalone value is normal for a control deal; the question is whether synergies cover it.

STRUCTURE AND FINANCING

Consideration	75% cash / 25% stock
Cash consideration	\$8,219
Stock consideration: 19.4m new PepsiCo shares at \$141.07	\$2,740
New acquisition debt at 5.0%	\$7,043
PepsiCo cash on hand	\$2,000
Celsius term loan repaid at principal	\$698
Pro forma net debt / adjusted EBITDA	2.8x

Debt is the cheaper currency. PepsiCo trades on 19.6x 2027E EPS, an earnings yield of about 5.1%, against an after-tax cost of new debt of about 3.8%, so each extra dollar of stock lowers accretion. The 25% stock component keeps leverage below 3.0x and limits new shares to 1.4% of PepsiCo's count.

PepsiCo already owns all of Celsius's Series A and Series B convertible preferred (\$1,135m of liquidation preference, \$1,760m carrying value). It therefore buys only the common shares, and on consolidation the preferred and its \$56.75m a year of dividends disappear. Refinancing Celsius's 6.75% term loan at PepsiCo's 5.0% saves about \$12m a year before tax.

PURCHASE PRICE ALLOCATION

Equity purchase price, common (diluted)	\$10,959
Less: Celsius book value of common equity	(\$1,181)
Plus: existing Celsius goodwill written off	\$918
Excess purchase price	\$10,695
Less: intangible step-up at 30% of excess	(\$3,209)
Plus: deferred tax liability at 24%	\$770
Goodwill created	\$8,257

A share purchase gives no tax step-up, so a deferred tax liability is booked on the write-up. Most of the step-up is brand value, which PepsiCo would treat as indefinite-lived, as it does for \$13.8bn of its own intangibles, mostly brands. Only the 20% assumed to be customer relationships is amortised: \$43m a year before tax over 15 years. Amortising all of it (\$214m a year) would make Year 1 1.3% dilutive.

SYNERGIES

\$246m of run-rate synergies, phased 25% / 60% / 100% from 2027, against \$111m of one-time integration costs in Year 1:

- **Revenue, \$135m.** \$300m of extra sales outside North America through PepsiCo's bottlers, at a 45% contribution margin. Celsius sold only \$93m abroad in 2025, and PepsiCo already distributes it in the US, so ownership mainly adds international reach.
- **Cost, \$111m.** 15% of Celsius's 2025 SG&A (about 4% of revenue) from overlapping G&A, procurement and logistics. More within PepsiCo's control.

Capitalised at 14x and net of integration costs and \$125m of fees, the synergies are worth \$3.2bn, 1.4x the \$2.4bn premium. On cost synergies alone the cover is 0.6x, so the deal depends on the international roll-out.

EPS IMPACT

	Year 1 (2027E)	Year 2 (2028E)	Year 3 (2029E)
Standalone PepsiCo EPS	\$7.19	\$7.47	\$7.76
Pro forma EPS	\$7.19	\$7.63	\$8.02
Accretion / (dilution)	0.1%	2.2%	3.4%

Year 1 is flat because integration costs land at once while synergies are only 25% phased in. After that, Celsius's earnings exceed the after-tax cost of the debt used to buy it. Accretion is not the same as value creation, so the synergy test above matters more than the EPS line.

KEY RISKS

- **Price.** At 18.8x 2025 pro forma EBITDA the offer is above the 14.3x precedent median and both DCF ranges. If growth slows faster than the 12% to 7% path assumed, PepsiCo has paid a strategic multiple for a maturing brand.
- **Margins.** Gross margin fell to 48.2% in H1 2026 on aluminium costs; the model assumes 49.5% from 2027. Each point of gross margin is worth about \$36m of 2027E EBITDA.
- **Revenue synergies.** They are 55% of the run-rate total and the hardest part to deliver, since PepsiCo already sells Celsius in the US.
- **Category.** Energy drinks face regulatory attention on caffeine and youth marketing, and the shelf is crowded (Monster, Red Bull, Ghost).

Prepared by Fadi El Kawkabani. Model: PepsiCo_Celsius_MA_Model_v4.xlsx. PepsiCo historicals tied to its FY2025 Form 10-K; Celsius to its FY2025 and FY2024 10-Ks and Q2 2026 results release. Educational use only; not investment advice.