

JPM MO DOW PEP

Financial Analysis



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JPMORGAN CHASE & CO. (JPM)

Founded in 1823, JPMorgan Chase & Co. is an American multinational banking and financial holding company headquartered in New York City, New York. Its present amalgamation was created through various mergers, acquisitions and sells of noncore assets and businesses (Brown Co. is an example of a sell). The NYSE symbol for the company is JPM. JPM benefited from the crisis that engulfed the financial system that began in 2007. JPM was able to buy Bear Stearns on the cheap, gobble up WAMU in bankruptcy and solidify its reputation as one of the better managed big banks during this period. Though JPM came through stronger, it also faces a more restrictive banking climate ever since the financial crisis (now known as The Great Recession). JPM is in a better position than some of its like Citigroup, Inc. (NYSE: C), or Bank of America Corporation (NYSE: BAC), but JPM itself faced issues like the trading loss (by the London Whale), but JPM like Wells Fargo & Company (NYSE: WFC) are better positioned than others for continued growth.

ALTRIA GROUP, INC. (MO)

Founded in 1919, Altria Group, Inc. (previously named Phillip Morris Companies Inc.) is an American manufacturer and seller of cigarettes, smokeless tobacco products, and wine headquartered in Richmond, Virginia. After its spin-off and divestiture of Kraft Foods (NASDAQ:KRFT) and Phillip Morris International (PMI), the company now generates the majority of its income from sales of tobacco products within the United States (Phillip Morris International—NYSE:PM--has the majority of the rights to the various cigarette brands overseas that Altria has for the US market—including the iconic brand Marlboro). The NYSE symbol for the company is MO (which is the same as before). MO faces a maturing and declining cigarette market in the USA. Since MO only sells cigarettes in the US market (after spinning off its international division—PMI), the continued decrease in cigarette smoking has forced it to diversify. MO purchased the John Middleton Company—a leading manufacturer of machine cigars and pipe tobacco (Black & Mild). MO purchased the largest smokeless tobacco company (UST—United States Tobacco Company---makers of Copenhagen and Skoal). Cigarette smoking may be on the decline, but smokeless tobacco consumption and cigar smoking are growing. The company also owns a 28.7% minority stake in SABMiller plc (OTC PINK: SBMRY) which is one of the largest brewing companies in the world. MO also owns Ste Michelle Wine Estates, a wine company through its purchase of UST. Its main competitors are Reynolds American, Inc. (NYSE:RAI), Lorillard Inc. (NYSE: LO), and British American Tobacco PLC (NYSE: BTI).

DOW CHEMICAL COMPANY (DOW)

Founded in 1897, the Dow Chemical Company is an American multinational chemical corporation headquartered in Midland, Michigan. It has facilities around the world. It produces an array of products including plastics, chemicals, agricultural sciences, and water purification systems. It is one of the largest chemical manufacturers in the world with BASF (OTC PINK: BASFY), DuPont (NYSE: DD), and Huntsman Corp. (NYSE: HUN) as its competitors. The NYSE stock symbol for the company is DOW (not to be confused with the Dow Jones, also called the DJIA, or the Dow 30). It is partnered with Corning Inc. (NYSE: GLW) in Dow Corning Corp (a joint venture between the two, with each owning a 50% interest), a company that specializes in silicone and silicone-based technology (offering more than 7,000 products and services with revenues of \$5 billion plus). DOW was major supplier of Agent Orange to the United States Military during the Vietnam War. It acquired Union Carbide in 2001. DOW being in a cyclical industry is sensitive to the business cycle. It is prone to volatility (revenues are generally higher in periods of economic prosperity and expansion and lower in periods of economic downturn and contraction). To make DOW less prone to the cyclical nature of the business cycle, DOW moved more towards specialty chemicals (which command higher prices than commodity chemicals). It cemented this further with the purchase of Rohm and Haas Company (a specialty chemical company) in 2009. DOW also has made great strides into agricultural sciences encroaching on the turf of companies like Monsanto (NYSE: MON).

PEPSICO, INC. (PEP)

Founded in 1898, PepsiCo, Inc. is an American multinational food and beverage company headquartered in Purchase, New York. Originally named the Pepsi-Cola Company, the current name—PepsiCo--was born out of the merger between the then Pepsi-Cola Company and Frito-Lay, Inc. The NYSE symbol for the company is PEP. After the spin-off of Kraft Foods Inc.'s (NASDAQ: KRFT) snacks and confections business into a new company named Mondelez International, Inc. (NASDAQ: MDLZ) in 2012, PEP, based on net revenue became the second largest food and beverage company in the world after the Swiss firm Nestlé (OTC PINK: NSRGY). When people think of sodas, most first think of Coke made by the Coca-Cola Company (NYSE: KO)—In reality KO only produces the syrup concentrate and sells it to various bottlers throughout the world...in the US, KO is itself its largest bottler when it purchased the operations of Coca-Cola Enterprises, Inc.'s (NYSE: CCE) US bottle network. Well PEP may play second fiddle to KO in soda sales, but PEP is not a one trick pony like KO (only a beverage company). PEP use to own Pizza Hut, Taco Bell, and Kentucky Fried Chicken –KFC--, but it spun it off into a company called Tricon Global Restaurants, Inc. that later changed its name to Yum! Brands, Inc (NYSE: YUM). PEP currently owns Gatorade (through its purchase of Quaker Oats—and Aunt Jemima too), Tropicana, and its famous snack foods division, Frito-Lay (Lay's potato chips, Cheetos, Ruffles potato chips, Tostitos tortilla chips, Fritos corn chips, Walkers potato crisps, Rold Gold pretzels, Sun Chips, Cracker Jack popcorn, Miss Vickie's potato chips, etc).

STOCK PRICE, P/E, MARKET CAP, AND ENTERPRISE VALUE

	Stock Price	P/E*	Market Cap	Enterprise Value
JPM	\$50.97	9.1	193.14 bil	-35.67 bil
MO	\$37.18	17.2	74.47 bil	83.57 bil
DOW	\$35.10	43.15	42.46 bil	59.48 bil
PEP	\$83.74	21.46	129.5 bil	150.74 bil

As of closing on 5/16/13

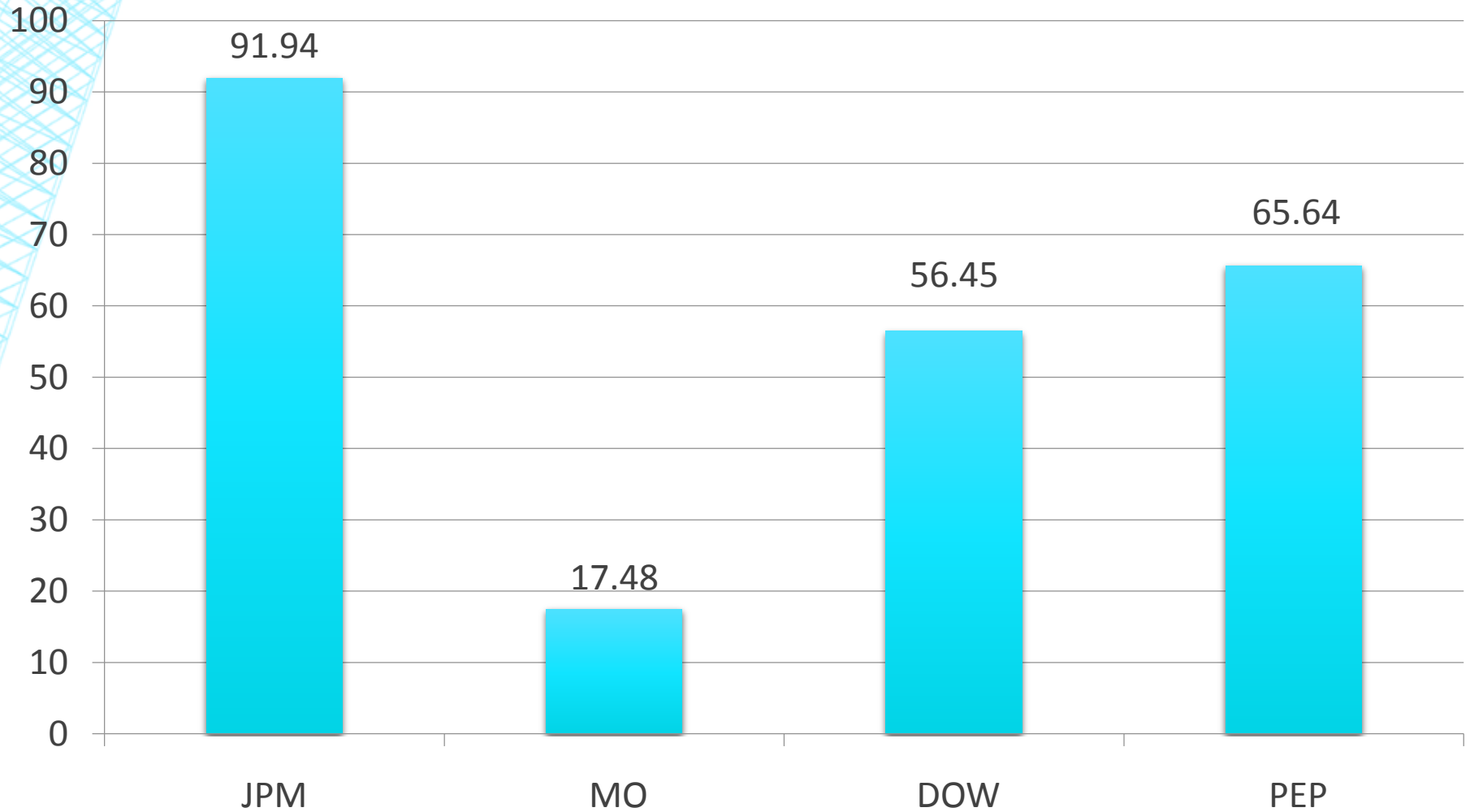
* Price over Earnings Ratio

DIVIDENDS, DIVIDEND YIELD, AND PAYOUT RATIO

	Dividends	Dividend Yield	Payout Ratio
JPM	0.38	2.98%	21%
MO	0.44	4.73%	80%
DOW	0.32	3.65%	156%
PEP	0.57	2.71%	55%

REVENUES

In billions



PROFITS

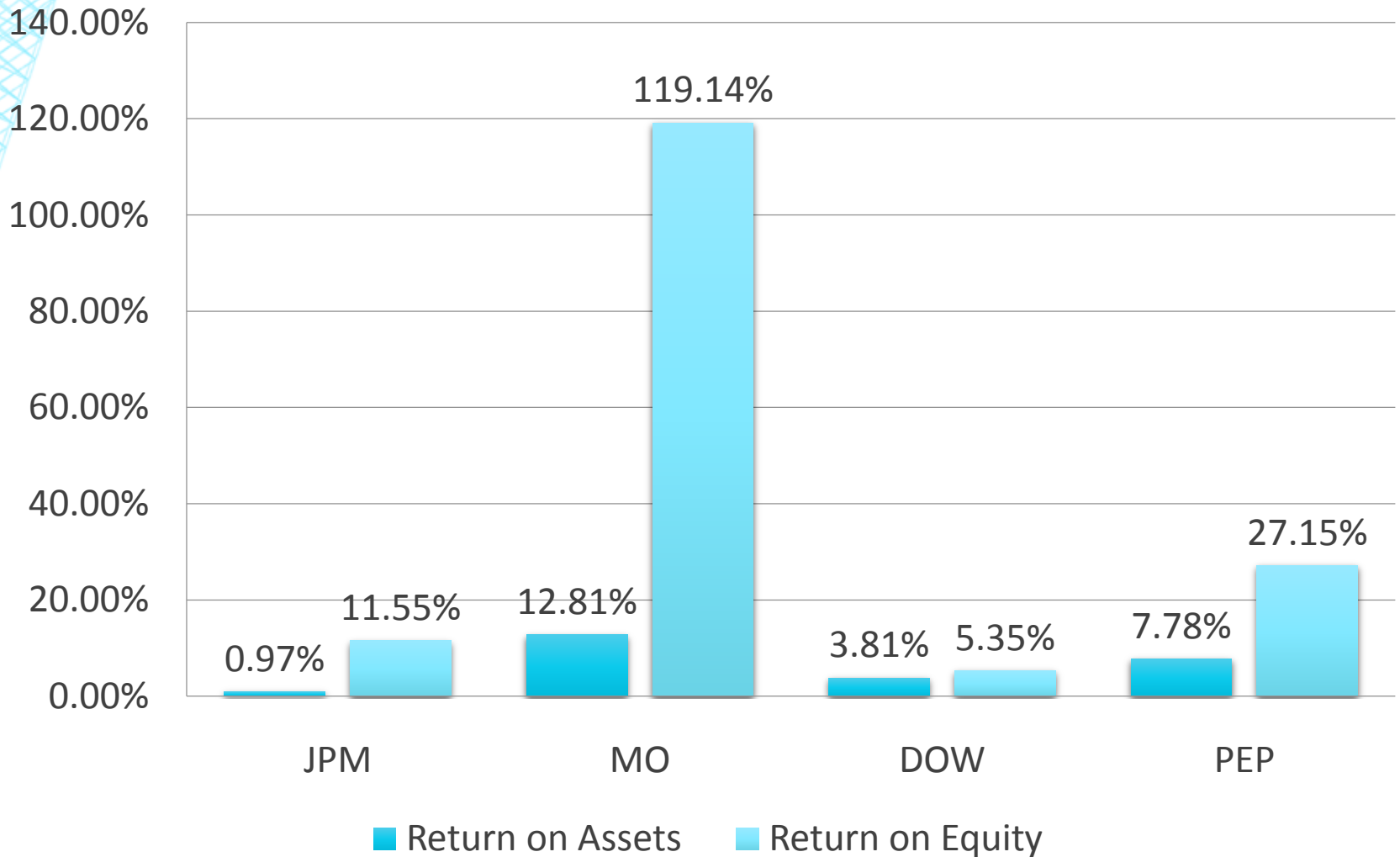
	Gross Profit	EBITDA*	Net Income	EPS**
JPM	93.65 bil	42.56 bil	21.43 bil	\$5.60
MO	9.56 bil	7.79 bil	4.36 bil	\$2.16
DOW	8.99 bil	6.92 bil	0.966 bil	\$0.81
PEP	34.2 bil	12 bil	6.12 bil	\$3.90

* Earnings before Interest, Taxes, Depreciation, and Amortization.

** Earnings per Share

MANAGEMENT EFFECTIVENESS

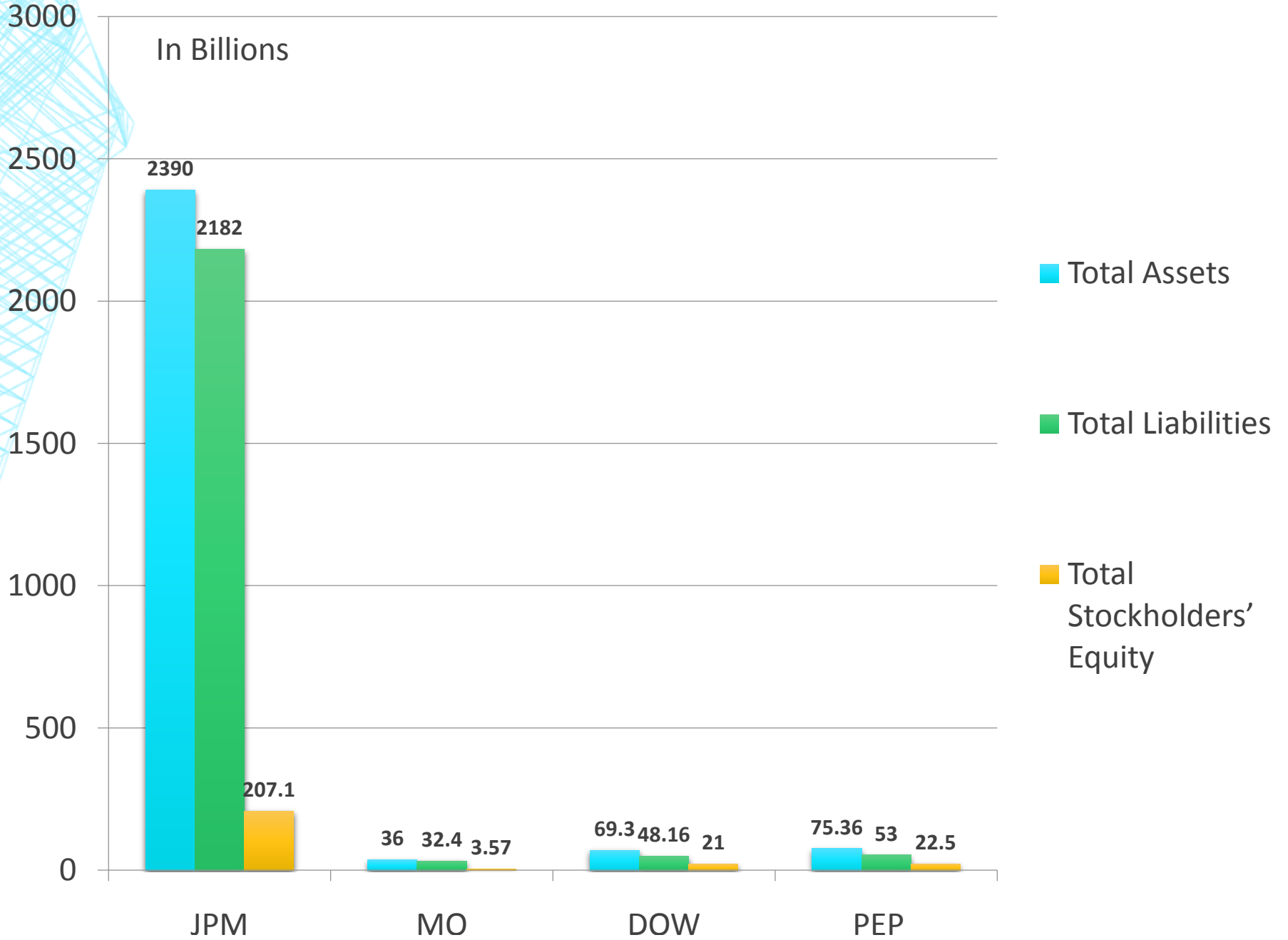
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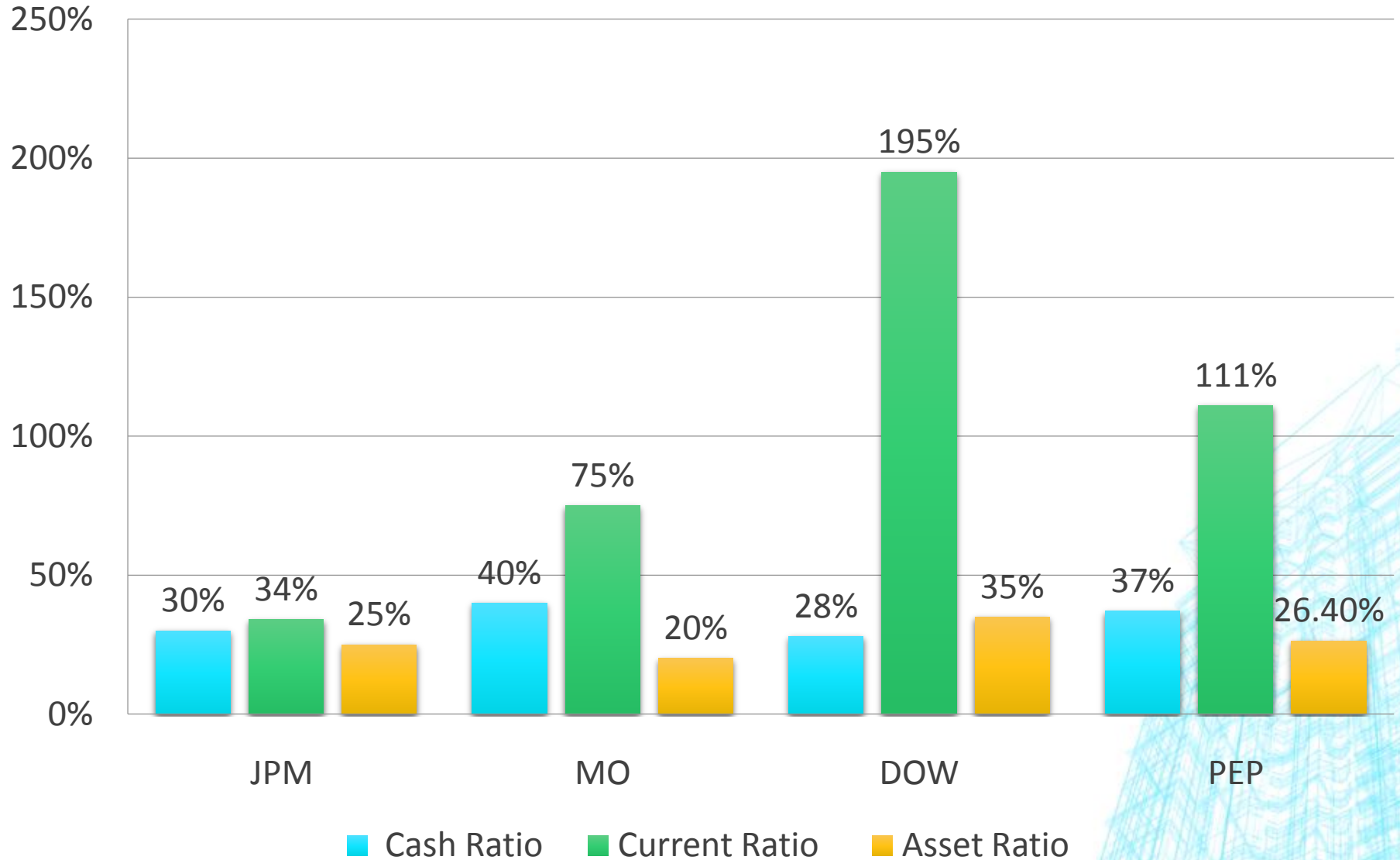
BALANCE SHEET

	Total Cash	Total Debt	Book Value per Share
JPM	954.87 bil	725.6 bil	\$52.02
MO	3.78 bil	13.88 bil	\$1.78
DOW	3.35 bil	20.09 bil	\$14.05
PEP	7.01 bil	29.4 bil	\$14.55

BALANCE SHEET



LIQUIDITY RATIOS



TOTAL RETURN FOR INVESTORS

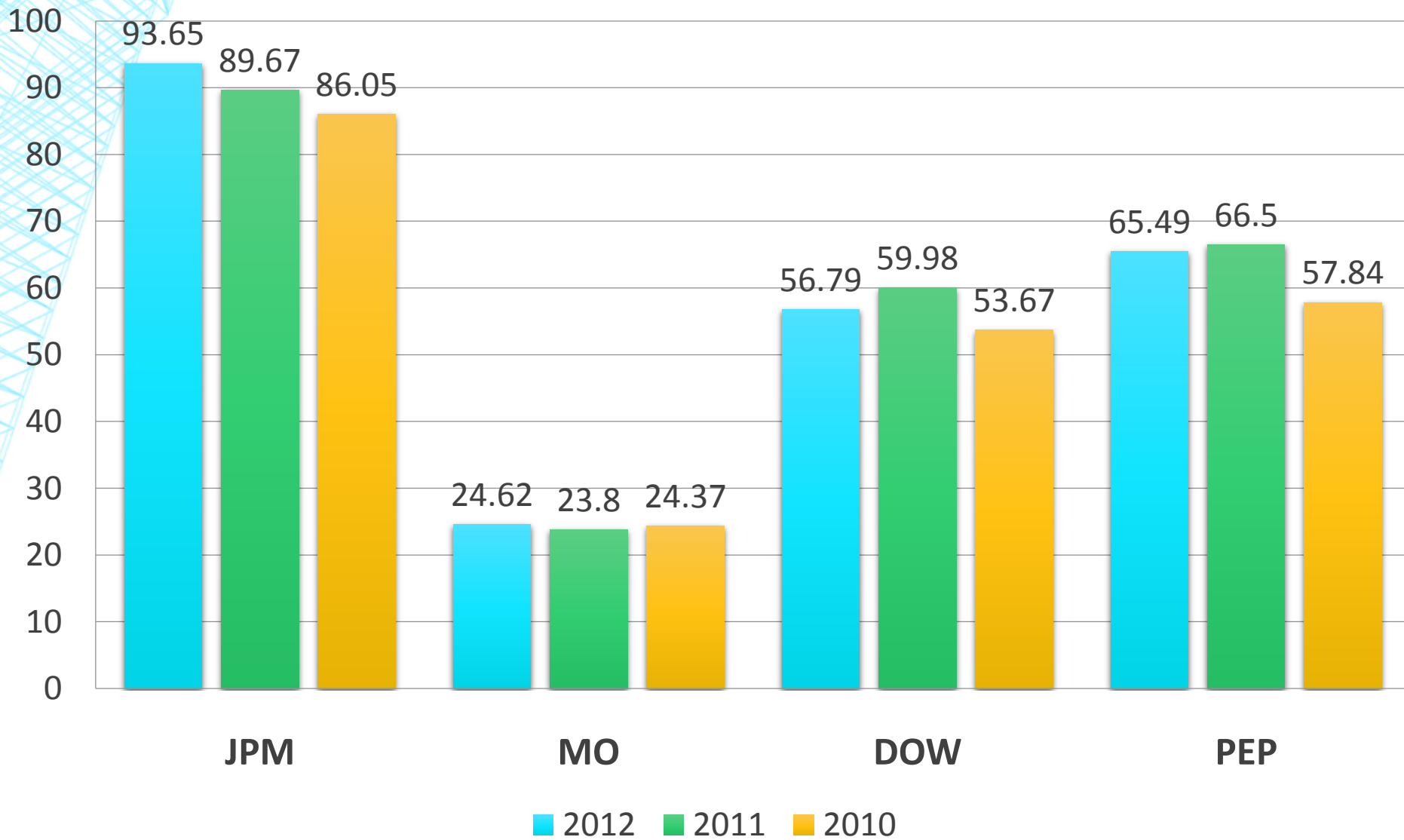
Data as of closing on 5/16/2013

Total Return to Investors (only counting stock price and splits, not including dividends and the reinvestments of those dividends via a dividend reinvestment program—DRIP—because this would be higher) as of 5/16/13 if you had invested by buying one share in each company at the various prices at that time. We are also not taking into account the return on spin-offs.

	YTD	1yr	5yr	10yr	ALL
JPM	\$7 (15.92%)	\$14.01 (37.91%)	\$4.44 (9.54%)	\$19.72 (63.1%)	\$44.86 (734.58%)
MO	\$5.74 (18.26%)	\$5.39 (16.96%)	\$14.73 (65.61%)	\$3.88 (11.65%)	\$36.62 (6,481.7%)
DOW	\$2.77 (8.57%)	\$2.95 (9.18%)	-\$7.78 (-18.14%)	\$3.15 (9.86%)	\$29.41 (516.63%)
PEP	\$15.31 (22.37%)	\$16.94 (25.36%)	\$15.87 (23.38%)	\$40.44 (93.39%)	\$82.27 (5,601.25%)

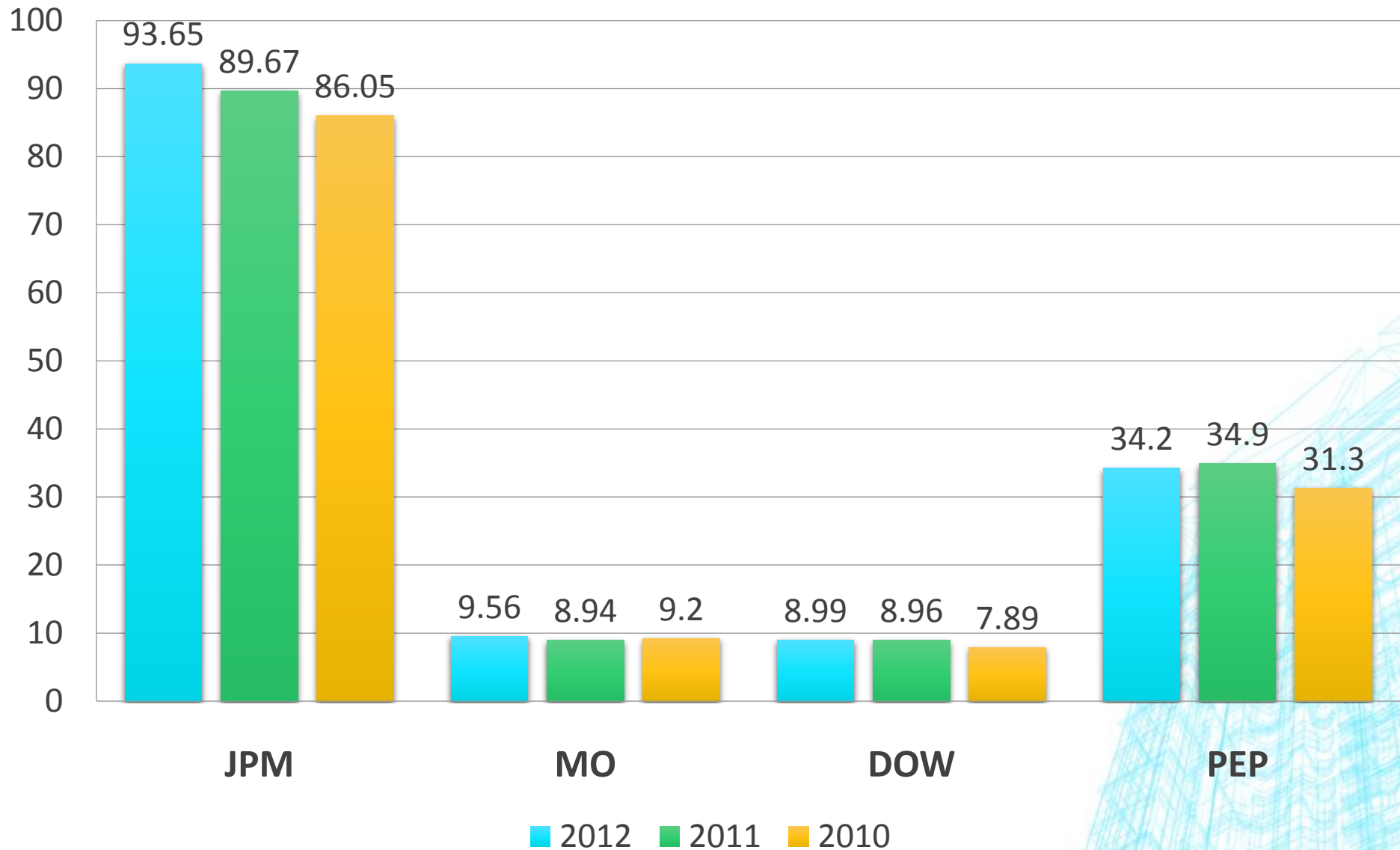
TOTAL REVENUE

(in billions)



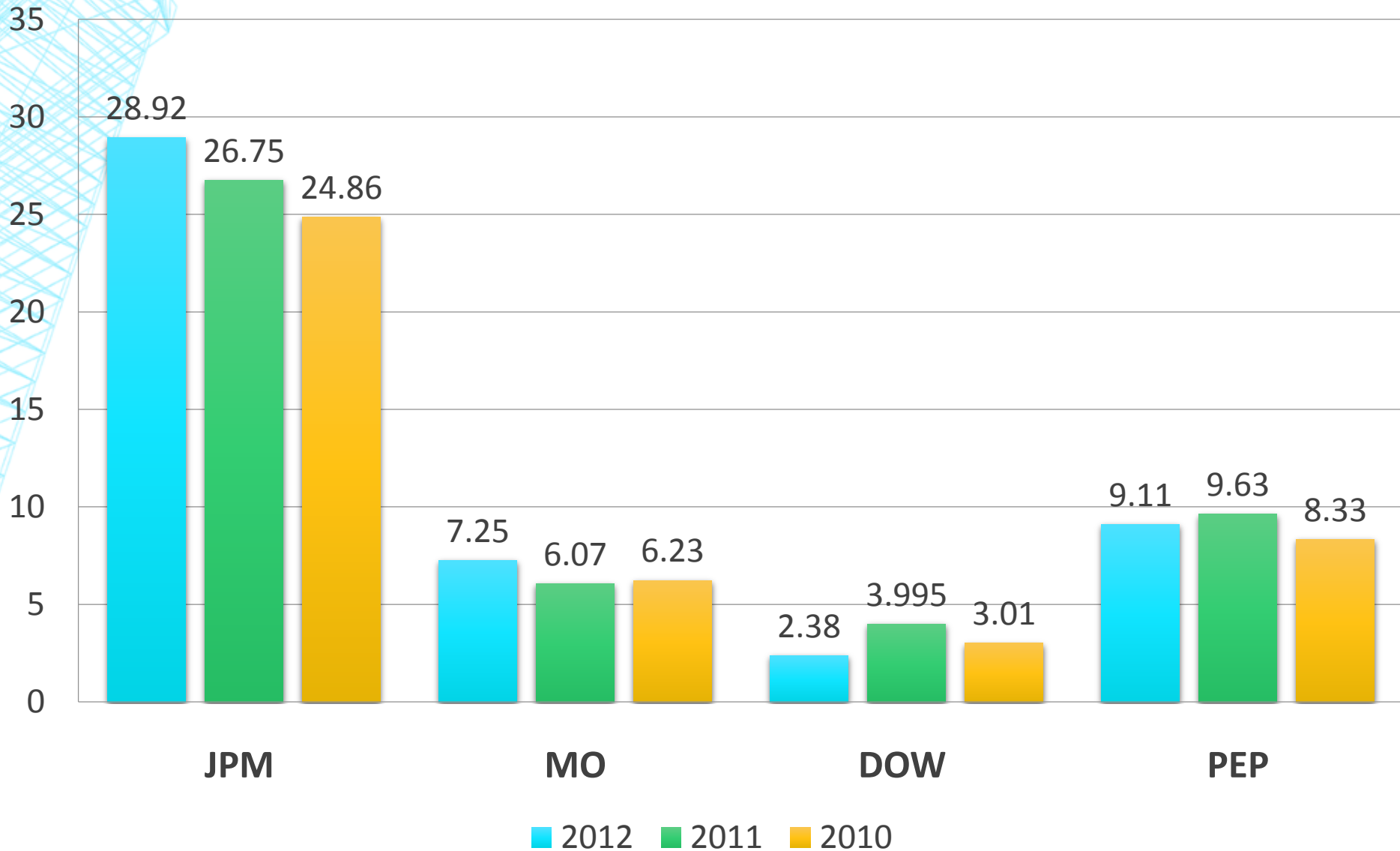
GROSS PROFIT

(in billions)



OPERATING INCOME OR LOSS

(in billions)



QUALITATIVE ANALYSIS

- **JPM**

- Faces a more restrictive banking climate
- More scrutiny now after the London Whale incident
- Still one of the stronger financial services firm today
- Too big to fail argument

- **MO**

- Decline in smokers
- Restrictions by governmental regulation (FDA)
- Largest market share
- Growth in smokeless tobacco
- New competition with electronic cigarettes

- **DOW**

- Cyclical industry
- Move into specialty chemicals
- Move into agricultural sciences
- Joint business ventures (Saudi Arabia)

- **PEP**

- Slow to declining growth in soda consumption (volume per person)
- Continued consolidation of the beverage industry
- Growth opportunities in snacks business
- Growing health consciousness among the populace

RECOMENDATIONS

- **JPM**

- A well run company with opportunities to increase its dividend payout.
- Smallest P/E and largest market cap.
- Highest profitability (EPS)
- One of the strongest banks in the sector

- **MO**

- A behemoth in a declining industry with a huge dividend payout
- Highest return on equity
- High payout ratio

- **DOW**

- A company in transition that is still undervalued with a dividend payout that may be unsustainable unless it can increase its EPS.
- Good dividend yield.
- Extremely high payout ratio.

- **PEP**

- A company that may be worth many times more than what it currently is worth if there was a spin-off between the beverage division and the snacks division.
- Largest enterprise value
- Excellent long term returns

RECOMMENDATIONS (ANALYST OPINION)

(STRONG BUY) 1.0 – 5.0 (SELL) BY: THOMSON REUTERS

	Action	Rating	Stars
1.- PEP	Buy	2.2	★★★★
2.- JPM	Buy	1.9	★★★★
3.-MO	Buy	2.2	★★★★
4.- DOW	Buy/Hold	2.9	★★★

RECOMMENDATIONS

(BY: ME)

	Action	Rating	Stars
1.- PEP	Hold	3	★★★★
2.- JPM	Hold	3	★★★★
3.-MO	Hold	3	★★★★
4.- DOW	Hold	3	★★★



CONCLUSION

Each of these companies are good companies to work for or to own as a shareholder. With the recent rise in the overall stock market, the price of an individual share in each respective company has risen to or near to their respective 52 week highs. If you are investing for the future, I would think that an investment in anyone of these companies will be fruitful. For value investors, they will be more inclined to stay on the sidelines and keep their “powder dry.”

- Disclosure: We do own shares in JPM, MO, DOW, PEP, KO, PM, KRFT, MDLZ, and BAC

REFERENCES

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