

Desautels Capital Management

Honours in Investment Management

PepsiCo, Inc.

PEP 5.125 11/10/2026

Fixed Income Fund

Owen Anderson, Strategist

Justin Djurovich-Thow, Junior Analyst

Holden Kangas, Junior Analyst

November 20, 2023



PEPSICO

An Introduction to Pepsico

Company overview

- PepsiCo is a leading global beverage and convenient food company
- The company has a complementary portfolio of brands, including Lay's, Doritos, Cheetos, Gatorade, Pepsi-Cola, Mountain Dew, and Quaker
- Operations include authorized bottlers, contract manufacturers and other third parties
- PepsiCo makes, markets, distributes and sells a wide variety of beverages and convenient foods, in more than 200 countries and territories

Investment theses

1

Thesis I: Macroeconomic headwinds are mispriced by the market

We see a higher risk of recession compared to the market which leads to an attractive entry point into the defensive consumer staples sector

2

Thesis II: PepsiCo is the most attractive given these headwinds

PepsiCo has been punished harder by inflation compared to Coca-Cola and its diversity of product offering is superior to comps

Valuation preamble



Nestlé



Issuer	Maturity	Coupon	Price	YTM	YTW	Mod Duration	OAS	Leverage	Coverage	S&P	Moody
Average						2.43	51.48	2.75x	9.82x	AA-	Aa3
Median						2.56	47.28	2.86x	8.89x	AA-	Aa3
PepsiCo	11/10/26	5.125	100.42	4.971	4.968	2.721	30.6	2.72x	19.98x	A+	A1

Current Price
\$100.4195

Current YTM
4.9706%

Current OAS
30.6 bps

We recommend a BUY on PEP 5.125 11/10/2026

Sources: DCM, Bloomberg

- I. Company Overview**
- II. Industry Overview**
- III. Bond Overview & Relative Valuation**
- IV. Thesis I: Macroeconomic headwinds are mispriced by the market**
- V. Thesis II: PepsiCo is the most attractive given these headwinds**

Desautels Capital Management

Honours in Investment Management

Company Overview

Section I



PEPSICO

Introduction to PepsiCo

Company overview

- PepsiCo Inc. **manufactures, markets, distributes, and sells** various beverages and convenient foods worldwide
- They operate through **seven segments**; Frito Lay North America; Quaker Foods North America, PepsiCo Beverages North America; Latin America; Europe; Africa; Middle East and South Asia; and Asia Pacific, Australia, New Zealand and China region
- Some of its **global brands** include Lay's, Doritos, Cheetos, Gatorade, Pepsi-Cola, Mountain Dew, Quaker, and SodaStream

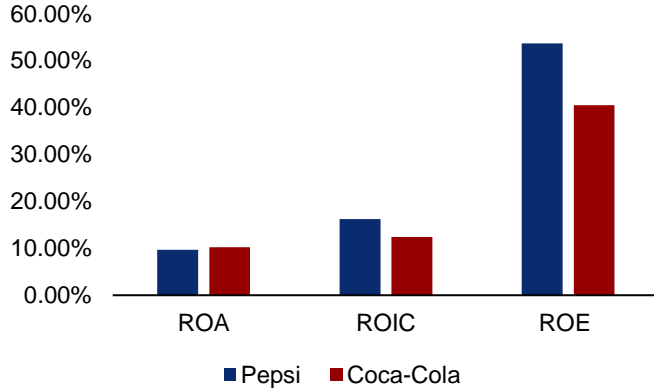
	2021	2022	LTM 2023
Performance Metrics			
Revenue	79,474	86,392	91,617
EBITDA	14,425	14,892	16,125
Capital Expenditure	(4,625)	(5,207)	(5,188)
Credit Metrics			
Total Debt/EBITDA	2.7x	2.6x	2.6x
Interest Coverage	6.6x	15.7x	24.5x

Competitive Landscape

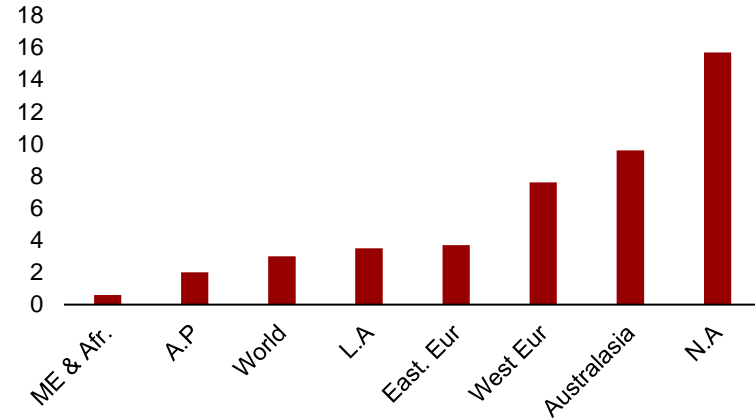


We love salty snacks

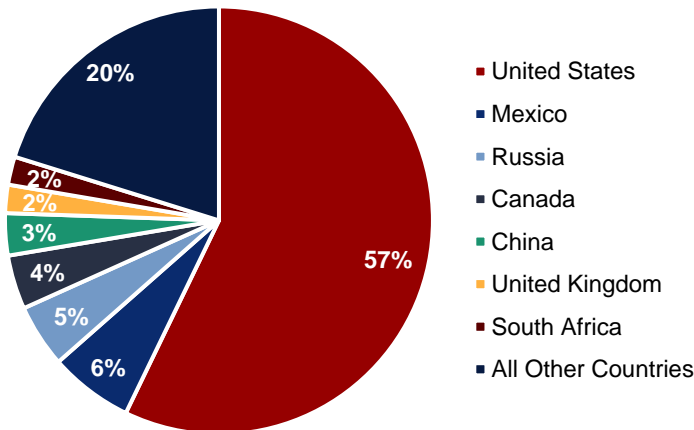
Better Results Driven by its snack business



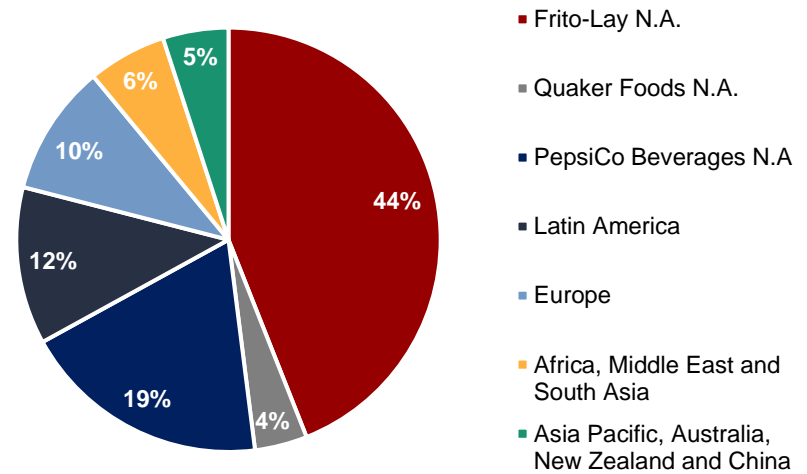
Global Consumption of Savory Snacks



Geographic Footprint

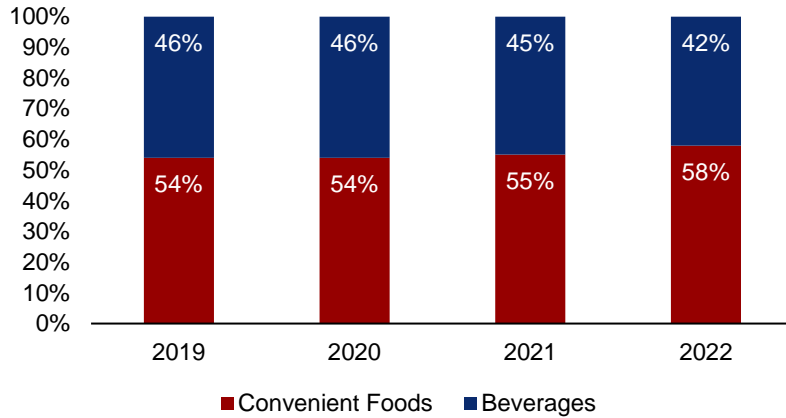


Revenue Breakdown

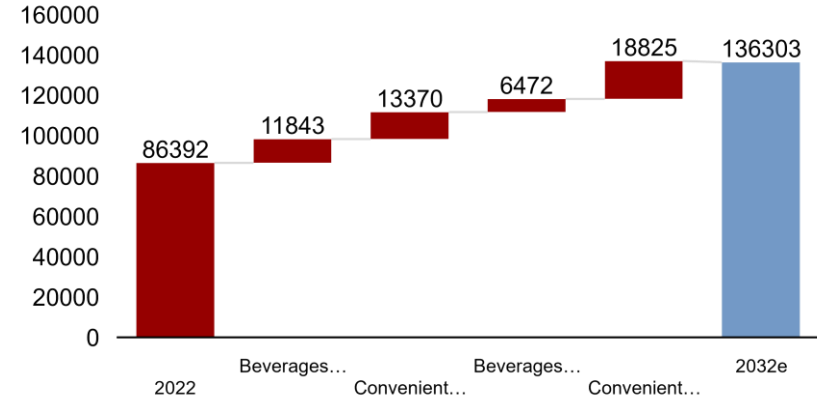


Source: Company Data, Bloomberg

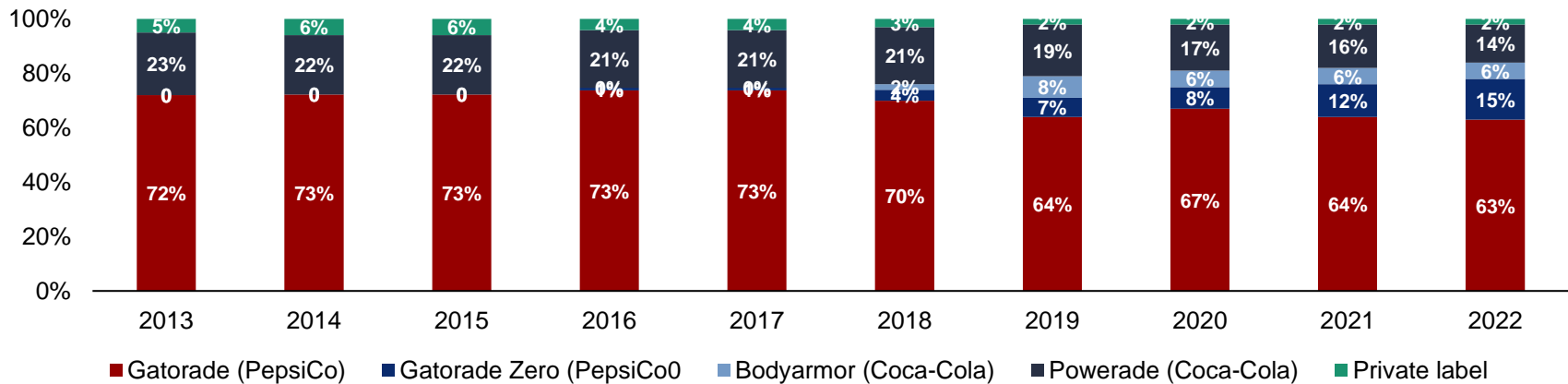
Rising Share of Convenient Foods



Convenient Foods is the driver of top line growth (HSBC)



Sports Drink Category; Brand Market Share

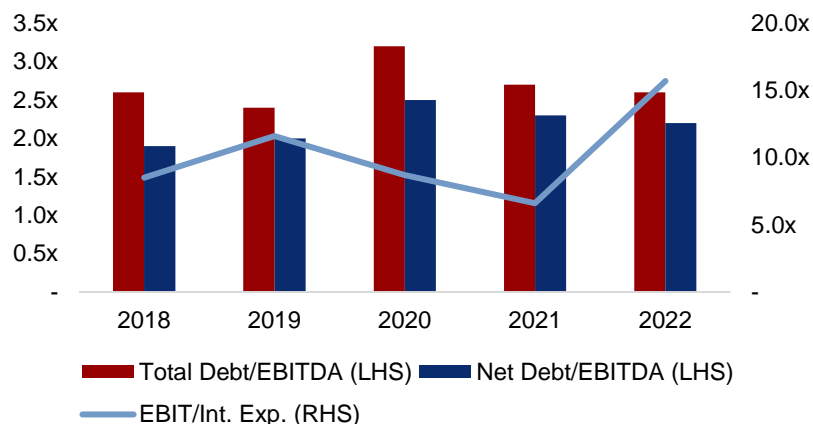


Pepsi is well positioned in the beverages and convenient foods segments

Source: HSBC, Company Data

Overview of leverage, coverage and credit markets

Pepsi Leverage and Coverage



Liquidity Sources Totaling \$14.9 Billion Is Enough for Needs

- PepsiCo's total liquidity as of June 17 was \$14.9 billion, which consists of a total cash balance of \$6.5 billion and revolver availability of \$8.4 billion
- The company recently entered into a new \$4.2 billion 5-year unsecured revolving credit facility due 2028 and a new \$4.2 billion 364-day unsecured revolving credit agreement; there were no outstanding borrowings under these agreements
- On a trailing basis, capital expenditures totaled \$5.2 billion, with dividends of \$6.4 billion and share repurchases of \$1.3 billion

PepsiCo to Maintain Access to Tier 1 Commercial Paper

- PepsiCo doesn't have a target leverage ratio, yet the company seeks to maintain access to Tier 1 commercial paper which indicates a minimum ratings target in the mid- to A range
- Leverage should improve as EBITDA increases over time
- Net debt/EBITDA as at June 17 was about 2.3x, which consensus projects may decrease to about 2x as of end 2023 and 1.8x as of 2024
- In August, Reuters reported PepsiCo could be interested in Hostess Brands, which J.M. Smucker announced in September it had agreed to buy for a total \$5.6 billion

Bloomberg Intelligence, Credit Checklist

Credit Drivers	Outlook	Outlook Trend	Weighting* (%)
Earnings & Cash Flow	Green	↔	25
Leverage & Financial Policies	Green	↔	20
Competitive Landscape	Yellow	↔	15
M&A	Yellow	↓	15
Event Risk	Yellow	↔	10
Stock Performance	Yellow	↔	5
Debt Maturities	Yellow	↔	10
Valuation	Yellow	↓	N.A.

■ Unfavorable
 ■ Neutral
 ■ Favorable

PepsiCo has manageable leverage with room for M&A activity

Source: Bloomberg

Desautels Capital Management

Honours in Investment Management

Industry Overview

Section II

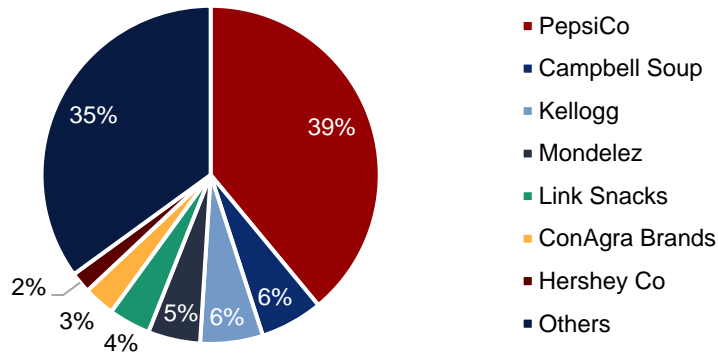


PEPSICO

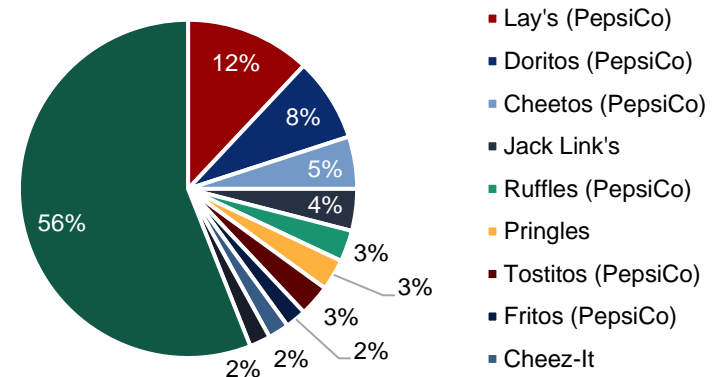
Convenience Foods Overview

PepsiCo is the #1 player in savory snacks globally

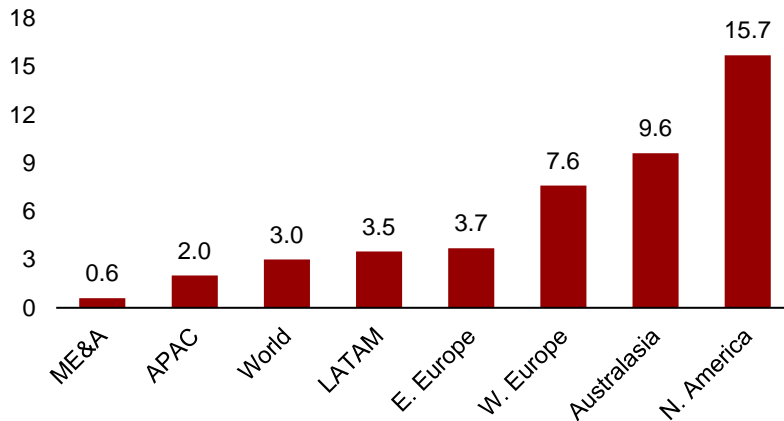
Savory Snacks Market Share by Company, 2022



Savory Snacks Market Share by Company, 2022



Per Capita Consumption of Savory Snacks, 2022



Industry Trends

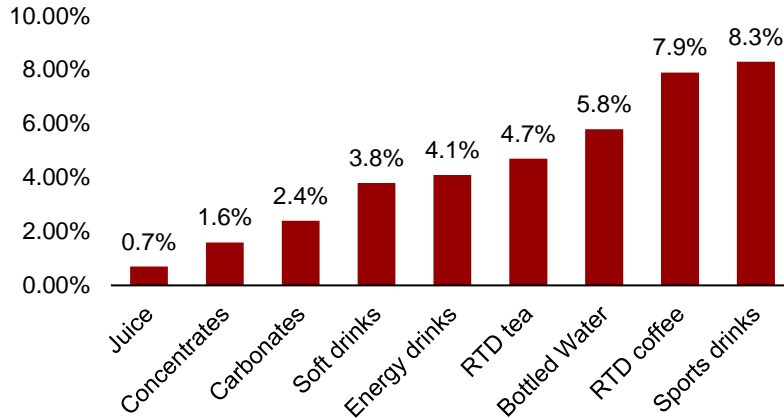
- Consumer demand for more experimental healthy snacking experiences
- Food manufacturers are aiming to appeal to the new "curious consumer" by launching healthier savory snack options
- Rising urbanization and hectic lifestyles are impacting the eating habits of consumers who are progressively substituting more flexible, light, and convenient snacking options for main meals
- Adoption of weight loss drug may expedite snack makers to roll out more no/low calories products and modify existing ones

PepsiCo's has incredibly strong position in the snack market allowing

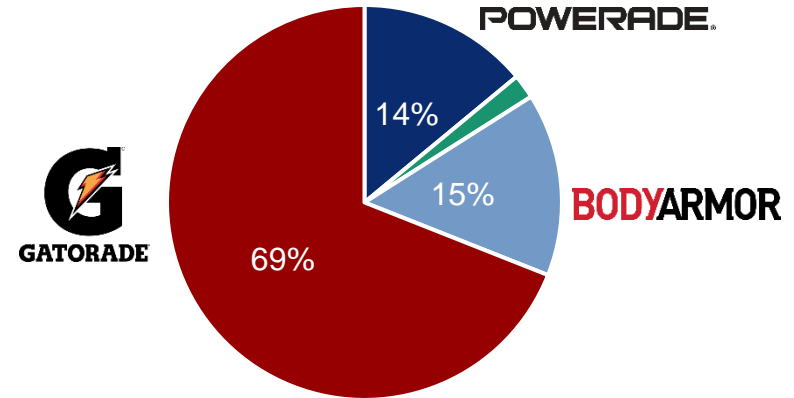
Source: HSBC, Grand View Research

PepsiCo is the #2 player in beverages globally

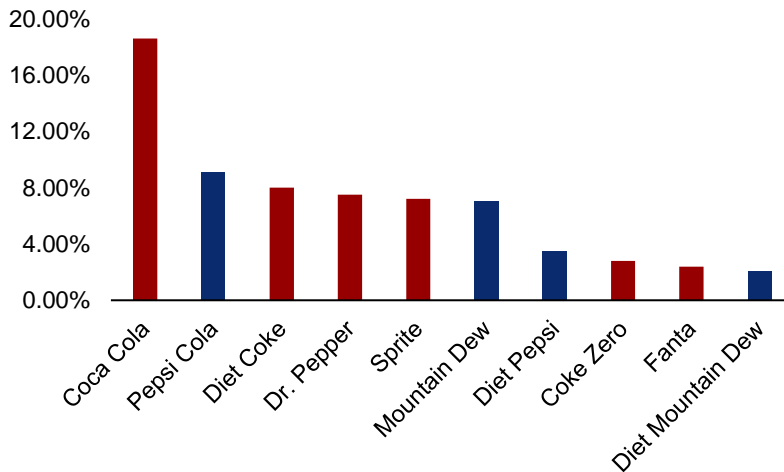
US Beverage Industry Growth Outlook, 2023-28 CAGR



North American Sports Drink Market Share 2022



Top 10 Soft Drink Brands by Volume, 2019



Industry Trends

- The market for carbonated beverages is seeing a **premiumization trend**, which is being driven by customer's shifting preferences and expectations
- Customers are prepared to pay more for goods that offer more quality, creativity, and exclusivity as they grow more discriminating and seek out distinctive and sophisticated experiences
- Adoption of weight loss drug may expedite beverage makers to roll out more no/low calories products and modify existing ones

Source: HSBC, Precedence Research, Sportico, VM Strategy

Uncertain macroeconomic environment hasn't impacted spending

Global Beverage Performance Trails Broader Market

- Shares of the BI Global Beverage peer group have fallen about 1% this year through Nov. 2, trailing the 8% rise for the MSCI World Index
- Factors behind many positive group performers included eased input costs (Vita Coco, Coca-Cola Consolidated), strategic partnerships that boosted sales gains (Celsius Holdings) and corporate right-sizing initiatives
- Slowing profit growth has weighed on many companies, including Keurig Dr Pepper and Boston Beer

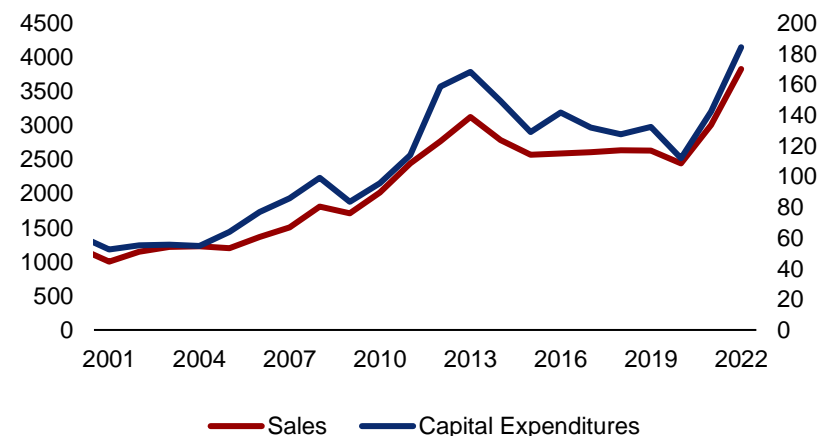
Beverage Sales Face Economic Slowdown, Rate Risks

- Softer economic conditions, rising interest rates and stretched balance sheets could challenge beverage-company strategies to boost premiums in 2024
- According to Kenneth Shea, BI Senior Analyst, beverage-makers may need to offer more-affordable beverage options, especially if youth unemployment rises due to any economic downturn
- PepsiCo's position as a market leader, combined with its strong snacks business will help PepsiCo face a potential slowdown

Producers Plan to Spend on Capacity, Technology

- Based on consensus, beverage makers may raise 2024 capital spending at a high-single-digit pace, despite signs of global economic contraction
- Beverage makers still see the need for capacity expansion, investment in information technology and strengthened e-commerce-marketing capabilities
- Industry expenditure has averaged about 7% annually over the past 20 years and has been relatively stable during periods of recession
- Beverage companies that have indicated plans to boost spending by 20% or more in 2024 include Coca-Cola, Heineken NV, Asahi Group and Constellation Brands

Beverages Industry Sales and CapEx, 2001-22



Source: Bloomberg

Desautels Capital Management

Honours in Investment Management

Security Overview and Relative Valuation

Section III



PEPSICO

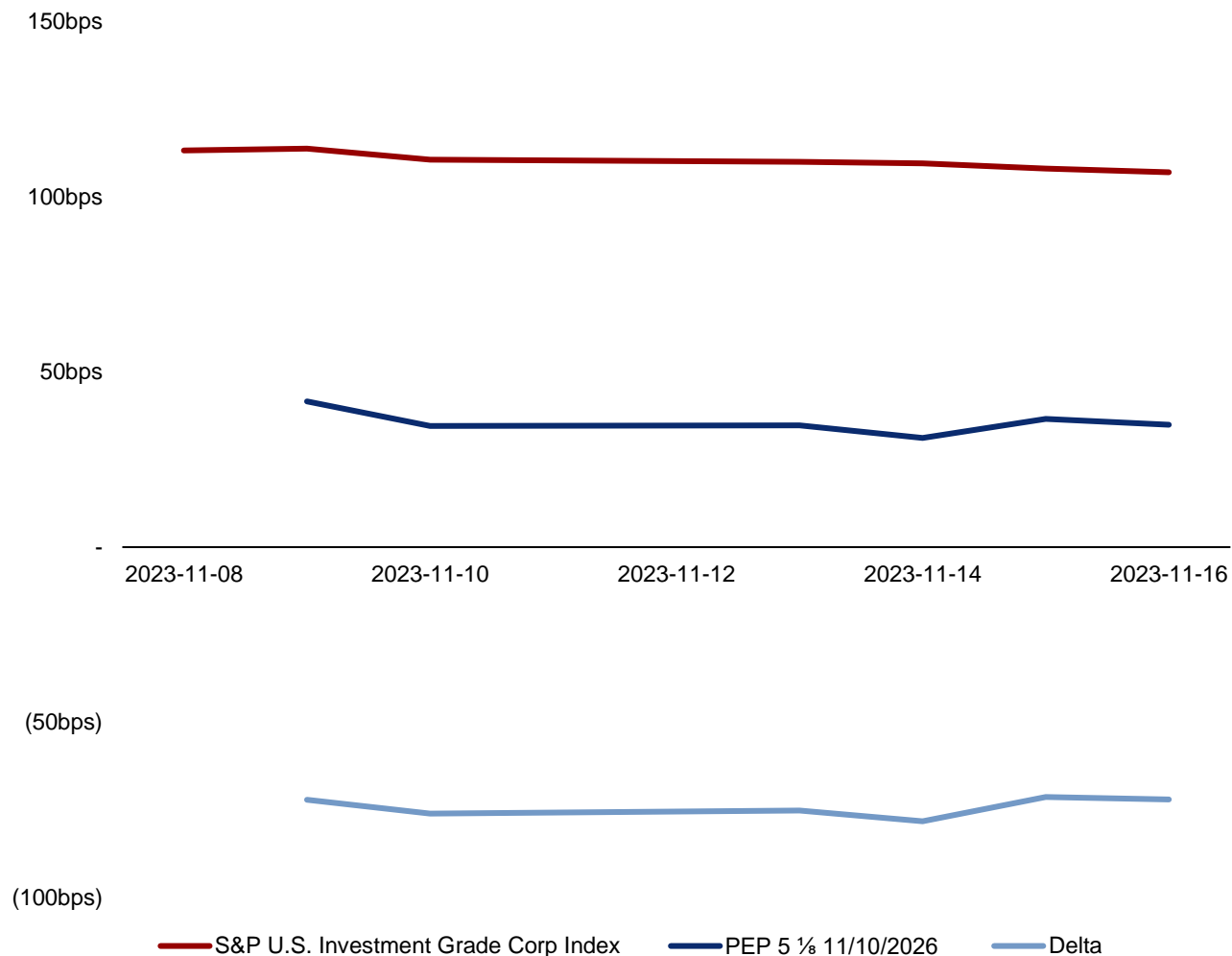
Bond Metrics

Issue Date	11/08/2023
Maturity	11/10/2026
Next Call	10/10/2026
Price	\$100.42
Coupon	5.125%
YTM	4.971%
YTW	5.968%
OAS	34.9 bps
M. Duration	2.675
Outstanding	\$700 MM
Issue Rating	A+/A1

Capital Structure (in USD MM)

Revolving Credit	0.0
Other Borrowings	5,100
Secured Loans	0.0
Unsecured Bonds	41,476
Preferred	0.0
Total Debt	46,576
Total Equity	229,272
<i>Debt-to-Equity</i>	20.31%

OAS Comparison: This bond is brand new...



Source: Bloomberg, S&P Global.

Comparable consumers staples bonds traded tight to one another

Issuer	Maturity	Coupon	Bid Price	Yield to Maturity (Bid)	Modified Duration (Bid)	OAS Spread (Bid)	Moody's Rating	S&P Rating
HERSHEY COMPANY	2025-06-01	0.9	93.53	5.33	1.49	38.56	A1	A
	2025-08-21	3.2	96.89	5.06	1.67	16.95	A1	A
	2026-08-15	2.3	93.56	4.83	2.60	21.03	A1	A
	2027-08-15	7.2	107.25	5.05	3.23	53.62	A1	A
KEURIG DR PEPPER INC	2025-05-25	4.417	98.22	5.65	1.42	66.84	Baa1	BBB
	2025-05-25	4.417	98.22	5.65	1.42	66.47	Baa1	BBB
	2025-11-15	3.4	95.94	5.57	1.89	76.41	Baa1	BBB
	2026-09-15	2.55	92.55	5.42	2.66	82.38	Baa1	BBB
	2027-06-15	3.43	93.85	5.34	3.26	81.56	Baa1	BBB
COCA-COLA CO/THE	2027-06-15	3.43	93.85	5.34	3.26	81.62	Baa1	BBB
	2027-03-25	3.375	95.66	4.79	3.11	26.15	A1	A+
	2027-05-25	2.9	93.59	4.90	3.24	39.21	A1	A+
MARS INC	2027-06-01	1.45	89.17	4.81	3.35	30.65	A1	A+
	2025-04-01	2.7	96.40	5.45	1.32	44.93	A1	A+
	2026-07-16	0.875	89.28	5.23	2.56	60.84	A1	A+
MONDELEZ INTERNATIONAL	2025-05-04	1.5	94.29	5.61	1.42	64.09	Baa1	BBB
	2026-02-13	3.625	96.63	5.24	2.10	47.28	Baa1	BBB
	2027-03-17	2.625	92.11	5.23	3.11	70.53	Baa1	BBB
NESTLE HOLDINGS INC	2025-09-12	4	98.40	4.93	1.72	7.01	Aa3	AA-
	2025-09-24	3.5	97.28	5.05	1.76	18.49	Aa3	AA-
	2026-01-15	0.625	91.11	5.01	2.09	26.10	Aa3	AA-
	2026-03-13	5.25	100.69	4.93	2.15	21.52	Aa3	AA-
	2026-07-13	1.125	90.96	4.83	2.50	14.37	Aa3	AA-
	2027-01-14	1.15	89.30	4.84	3.02	30.46	Aa3	AA-
	2027-09-15	1	86.58	4.88	3.67	40.41	Aa3	AA-
	2027-10-01	4.125	97.30	4.90	3.51	39.41	Aa3	AA-

Average					2.43	51.48	Aa3	AA-
Median					2.56	47.28	Aa3	AA-

Pepsico Inc	2026-11-10	5.125	100.39	4.98	2.66	37.65	A1	A+
--------------------	-------------------	--------------	---------------	-------------	-------------	--------------	-----------	-----------

Key Convictions

- PepsiCo trades tighter than the industry on average
- KDP and MDLZ trade at a BBB rating

Source: Bloomberg

PepsiCo has strong credit metrics vs peers

Ticker	Company Name	Enterprise Value	EBITDA Margin	Revenue CAGR	Issuer Metrics					
			LTM	'19-'22	Net Debt/EBITD A	Total Debt/EBITD A	Net Debt/Equity (%)	Total Debt/Total Assets (%)	FCF/Total Debt	EBIT/Interest Exp
KO	Coca-Cola Keurig Dr Pepper	273,327	29.78%	4.66%	2.01x	2.86x	88.87	41.17	0.25x	8.89x
KDP	Inc	58,532	29.25%	4.92%	3.72x	3.33x	55.56	27.73	0.11x	3.78x
HSY	Hershey Co	44,810	28.10%	4.74%	1.55x	1.66x	119.99	43.84	0.32x	17.59x
MDLZ	Mondelez International Inc	114,973	18.70%	7.29%	2.98x	2.84x	65.97	28.86	0.17x	10.29x
NESN	Netsle	358,708	19.33%	2.51%	3.35x	3.05x	150.03	45.29	0.14x	8.53x
	Mean	170,070	25.03%	4.82%	2.72x	2.75x	96.09	37.38	0.20x	9.82x
	Median	114,973	28.10%	4.74%	2.98x	2.86x	88.87	41.17	0.17x	8.89x
PEP	Pepsi Co	265,233	20.13%	5.27%	2.46x	2.72x	181.82	44.80	0.16x	19.98x

Key Convictions

- PepsiCo has higher revenue CAGR, but margins suffer due to different business model
- The company has strong leverage metrics, trailing Hershey's
- PepsiCo also has strong coverage metrics, well above peers

Source: Bloomberg

Worst Case

Ticker	Company Name	Net Debt/EBITDA (worst)	Total Debt/EBITDA (worst)	EBIT (worst)/Interest Exp	EBIT (worst)/Interest Exp (worst)
KO	Coca-Cola	2.34	3.71	7.05	6.25
KDP	Keurig Dr Pepper Inc	8.03	8.18	2.69	2.15
HSY	Hershey Co	2.39	2.62	10.61	10.61
MDLZ	Mondelez International Inc	4.12	4.47	6.78	6.46
NESN	Netsle	3.28	3.54	9.84	9.84
	Mean	4.03	4.50	7.40	7.06
	Median	3.28	3.71	7.05	6.46
PEP	Pepsi Co	2.74	3.56	19.04	5.77

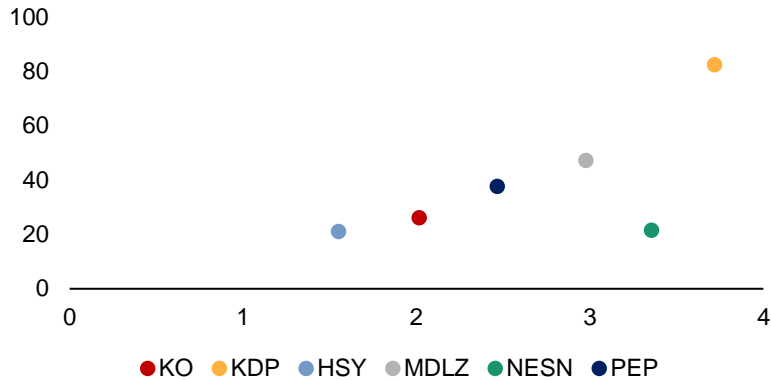
Key Convictions

- PepsiCo performs well in leverage metrics despite worst case scenario
- PepsiCo outperforms in coverage metrics

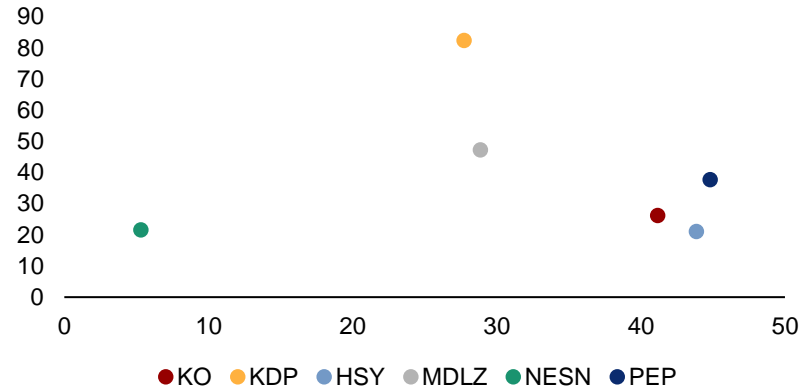
Source: CapitalIQ

Leverage and Coverage are Superior

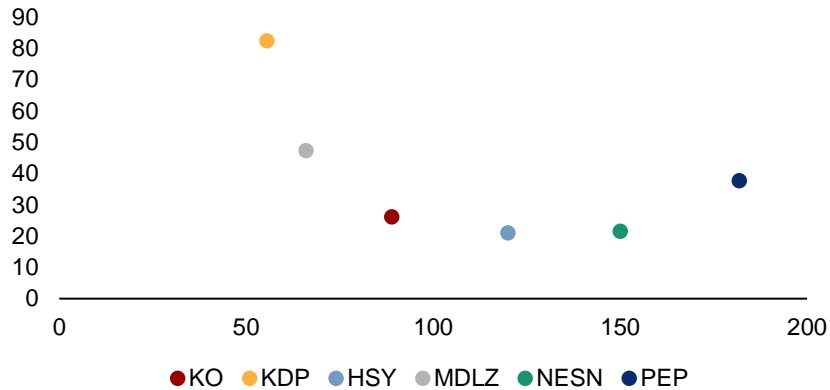
OAS vs Debt/EBITDA



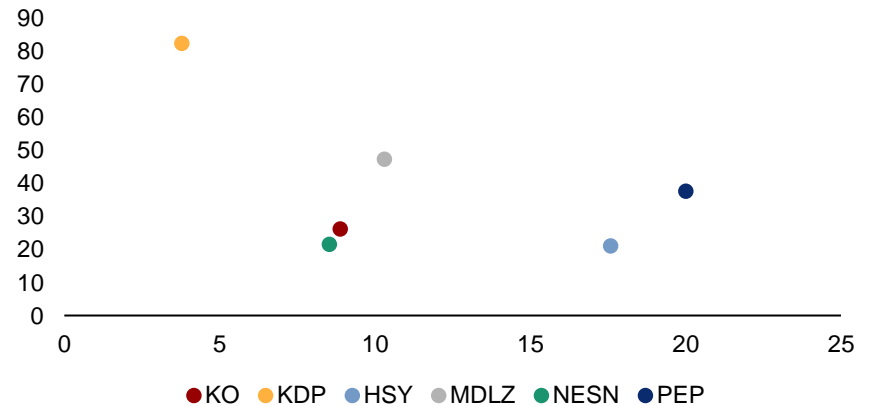
OAS vs Total Debt/Assets (%)



OAS vs Net Debt/Equity (%)

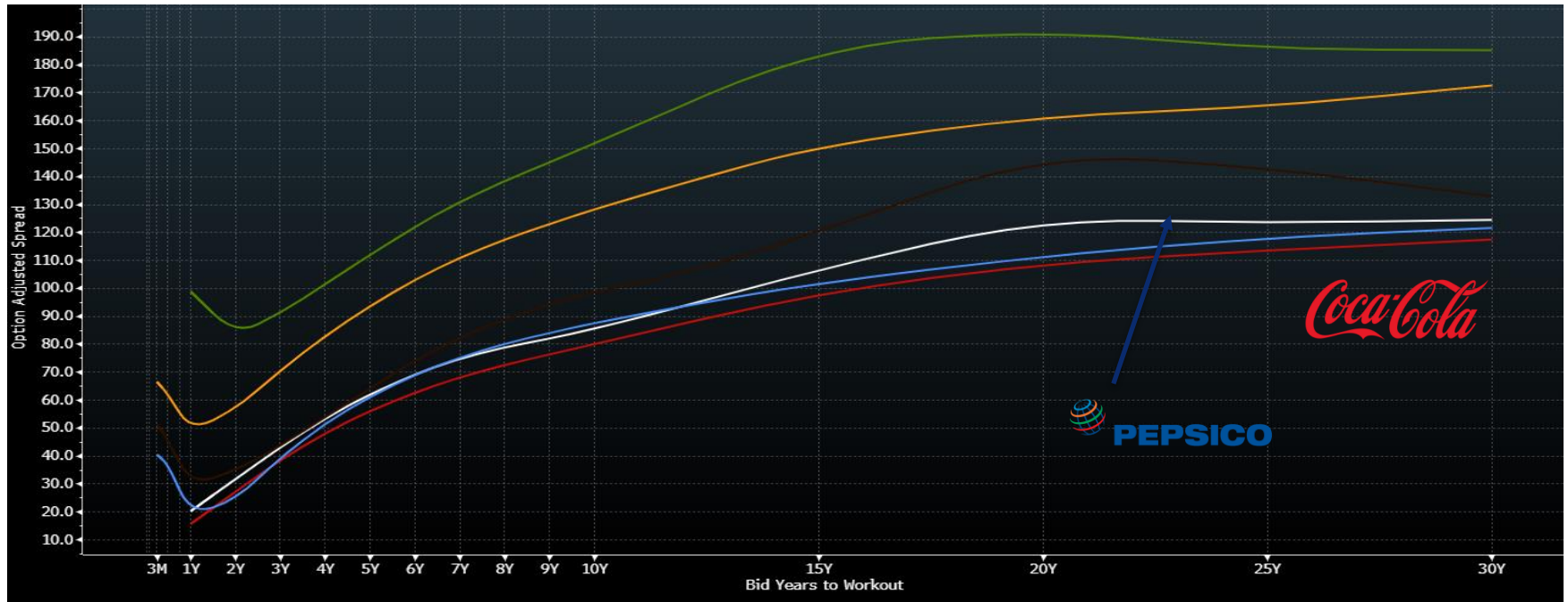


OAS vs EBIT/Interest Exp.



KO 3.375 03252027; KDP 2.55 05252026; HSY 2.3 05152026; MDLZ 3.625 02132026; NESN 5.25 03132025; PEP 5.125 11102026

Source: Bloomberg



Takeaways

- PepsiCo trades wider than Coca-Cola, but tighter than other peers
- The PEP/KO spread difference widens the further out you go on the curve

Source: Bloomberg

Desautels Capital Management

Honours in Investment Management

Thesis I: Macroeconomic headwinds
are being mispriced by the market

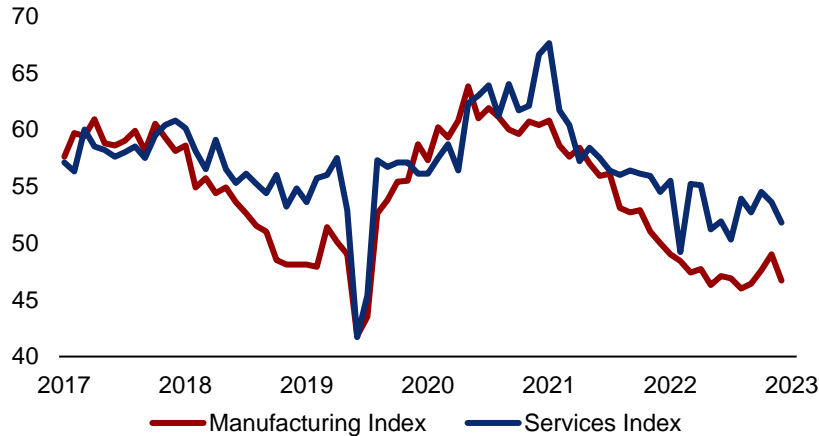
Section IV



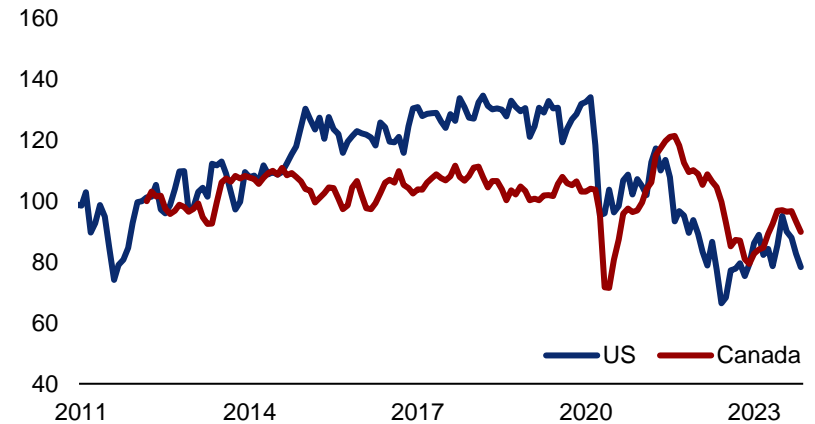
PEPSICO

What could possibly go wrong...?

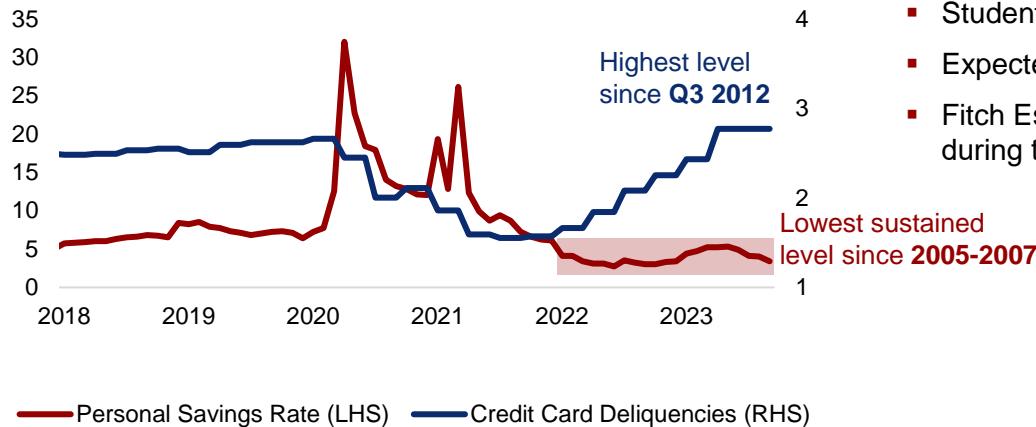
Consumer Spending has Propped Up the Economy



Consumer Sentiment



Personal Savings Rate (%) and Credit Card Delinquencies (%)

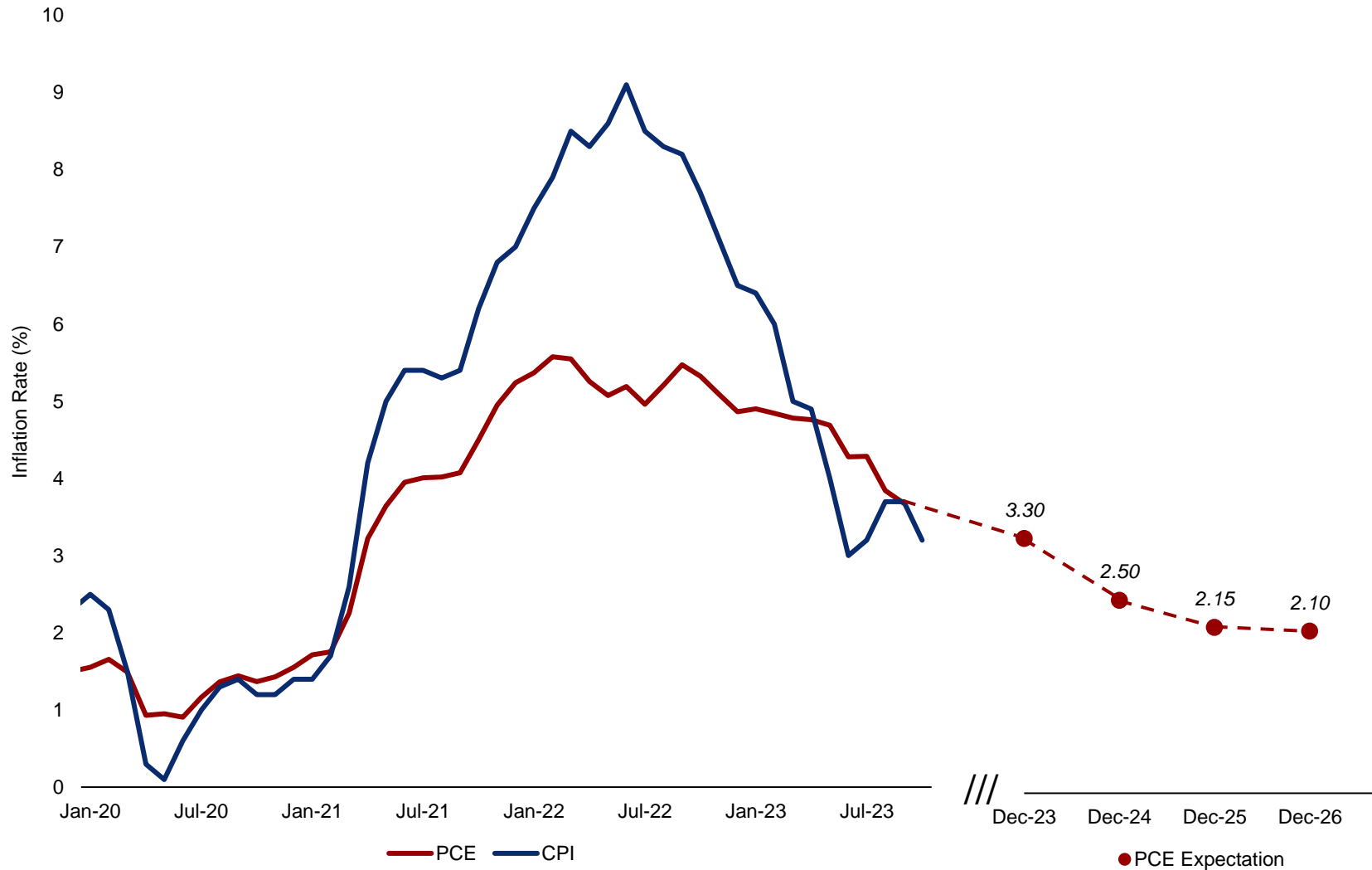


Student Loans (Restarted Oct. 1st)

- Student loan payments = \$5.5bn to 8.2bn monthly
- Expected to reduce real consumption growth by 7-10bps
- Fitch Estimates 80% of excess savings accumulated during the pandemic are gone (Aug '21 – Jul '23)

These factors may serve as catalysts in reducing consumer confidence and spending

“What Goes Up Must Come Down” – Ben’s stock portfolio

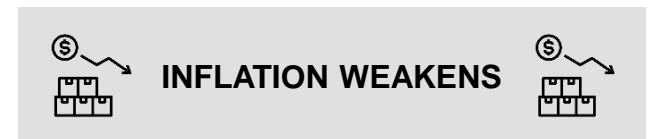
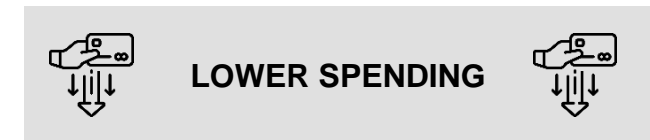
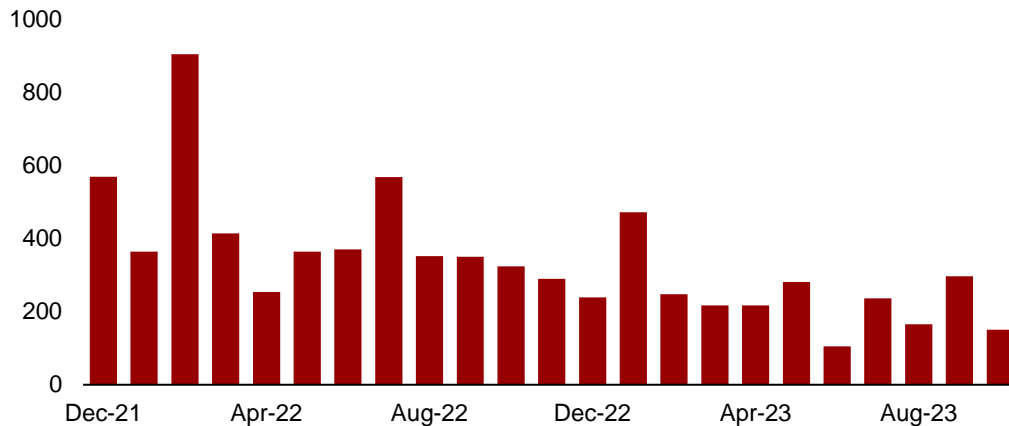


Inflation is projected to moderate, yet stay above 2% target for the foreseeable future

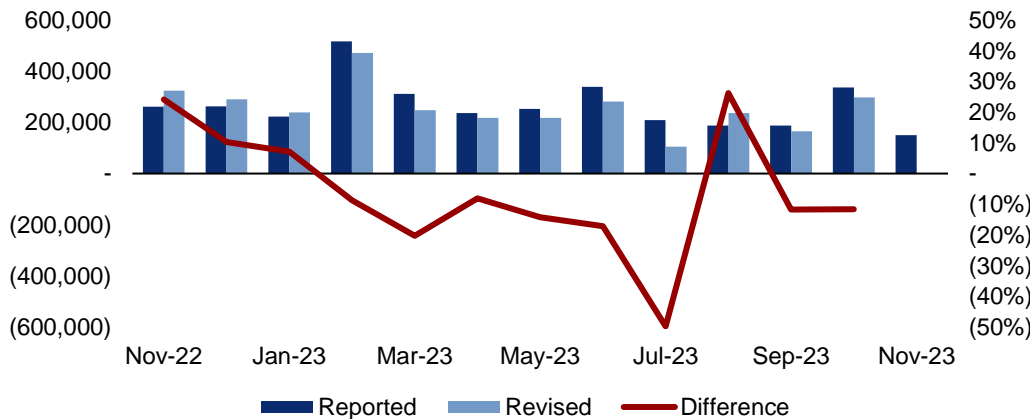
Source: Bloomberg

The labour market is still tight, but loosening quickly

Change in U.S. Nonfarm Payrolls (000s)



Reported vs Revised Change in U.S. Nonfarm Payrolls

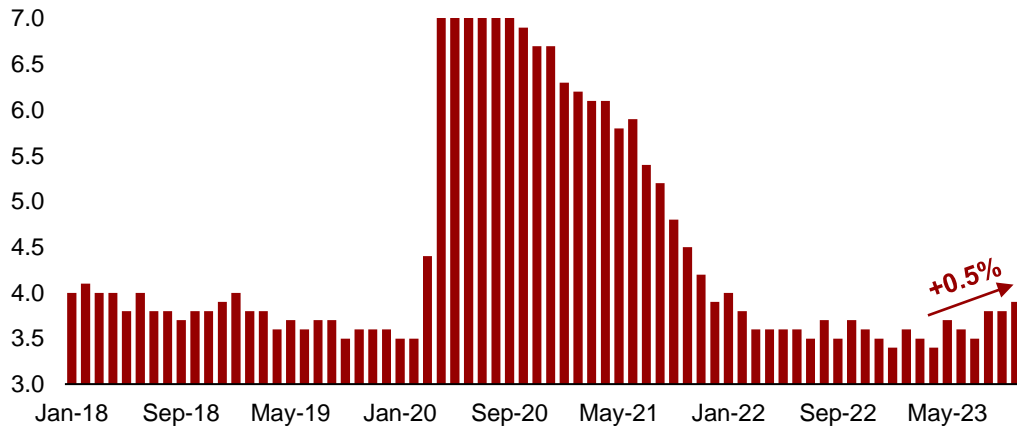


A labour market poised to soften will dampen the resiliency of consumer spending which currently props up PCE

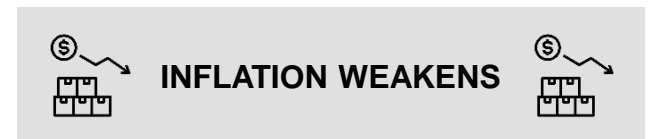
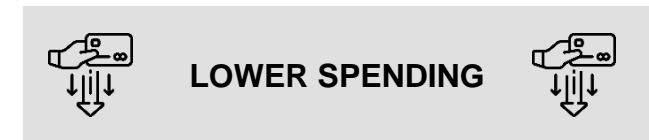
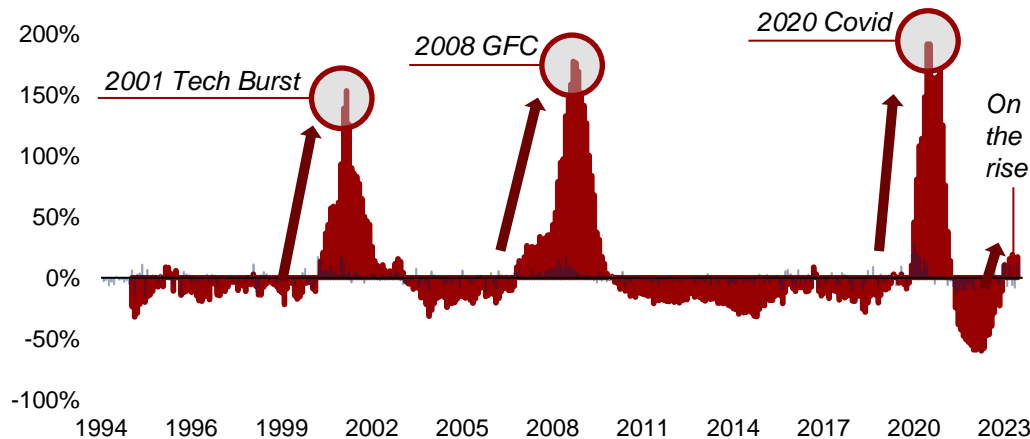
Source: FRED, Bureau of Labour Statistics

The labour market is still tight, but loosening quickly

U.S. Unemployment (%)



Permanent Job Losers ((y/y)

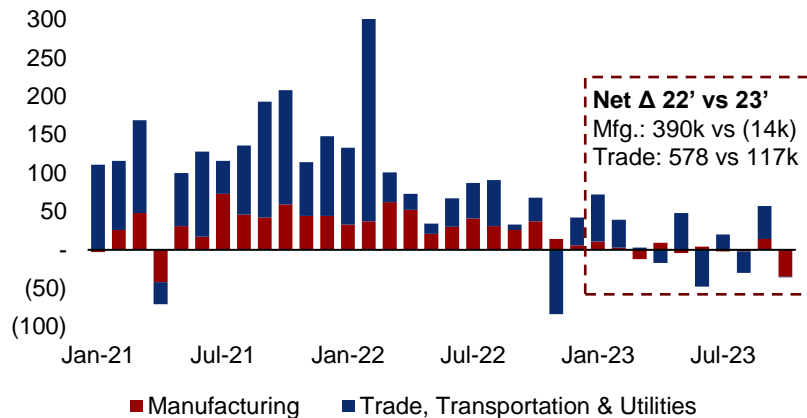


A labour market poised to soften will dampen the resiliency of consumer spending which currently props up PCE

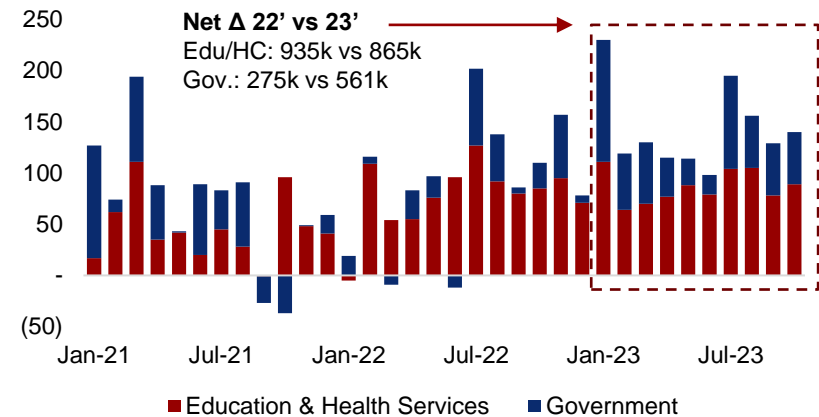
Source: FRED, Bureau of Labour Statistics

Education & health services supporting job market as manufacturing and others falter

Change in U.S. Nonfarm Payrolls, Manufacturing & Trade



Change in U.S. Nonfarm Payrolls, Education & Health



Holiday Hiring Demand Drops Off...

- The number of seasonal positions publicly advertised this fall fell to the **lowest level in a decade**
- Between 345,000 to 445,000 seasonal workers will be hired this year, **down as much as 40%** from a recent high in 2021
- The U.S. Postal Service said it would hire **about one-third** of the seasonal workers added last year

... A Warning for the Economy?

- U.S. retail sales for October 2023 were down 0.1% compared to September
- The National Retail Federation forecasts retail sales to increase by 3 to 4 percent in November and December compared to the 5.4 percent hike recorded last year

“

People feel less secure about spending when they feel less confident in their jobs... The ability to spend is there, now the question is the willingness.

”

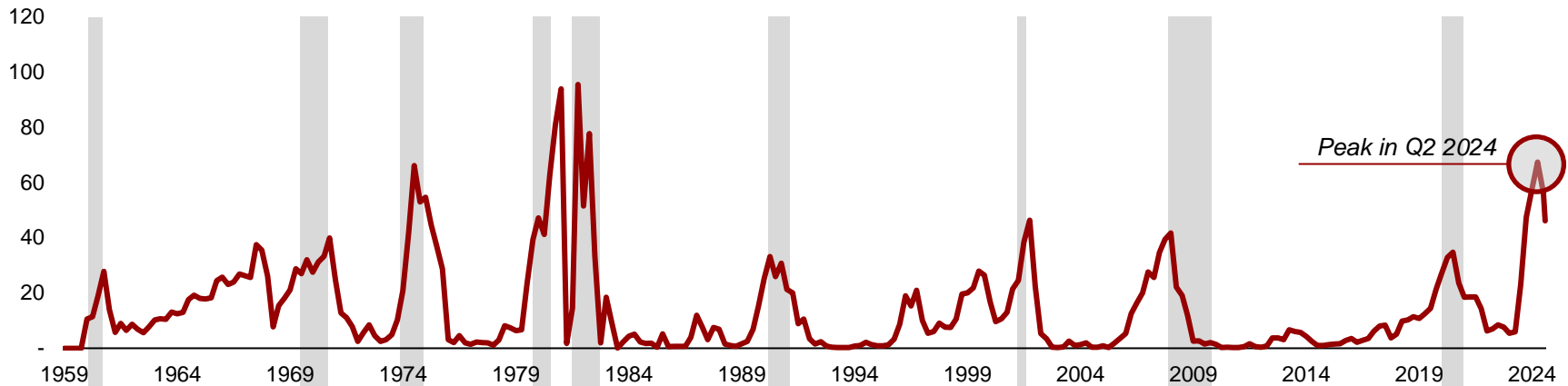
Jack Kleinhenz, National Retail Federation Chief Economist

We believe there is more weakness in the job market compared to what the market sees

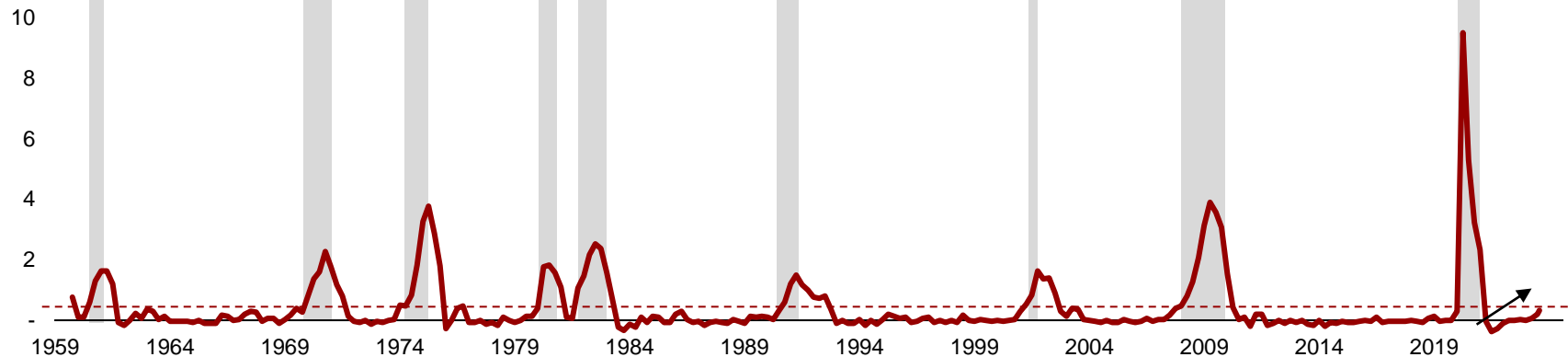
Sources: Bloomberg, Wall Street Journal, National Retail Federation, Challenger Gray & Christmas

Plenty of signals pointing to a recession in the U.S., many others pointing to soft landing

NY Fed Prob of Recession in US Twelve Months Ahead Predicted by Treasury Spread



United States Sahn Rule Recession Indicator Real Time



(2)

Consumer Staples offer stable returns given a potential economic downturn

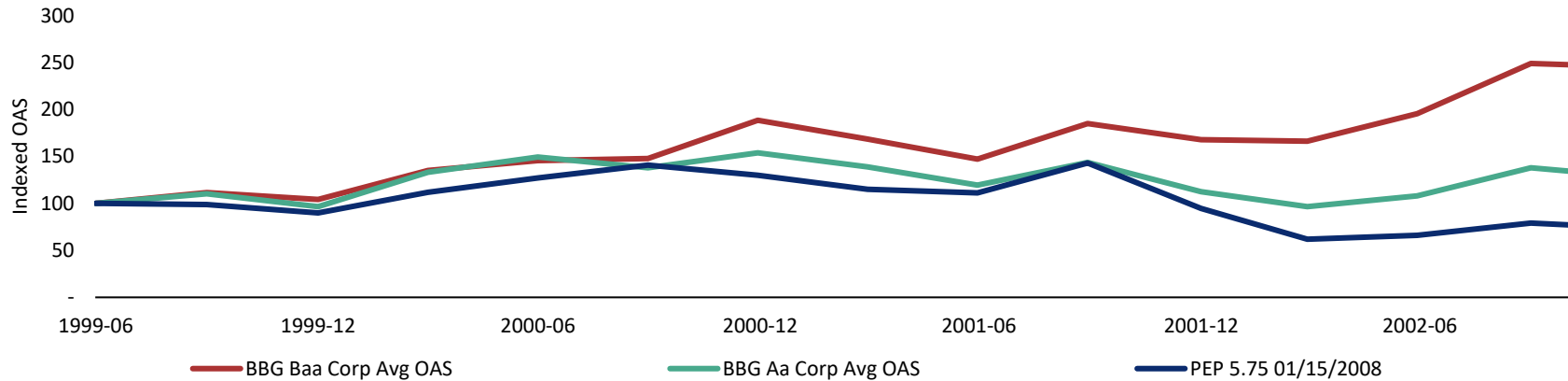
Source: Bloomberg

PepsiCo Performance through Past Recessions

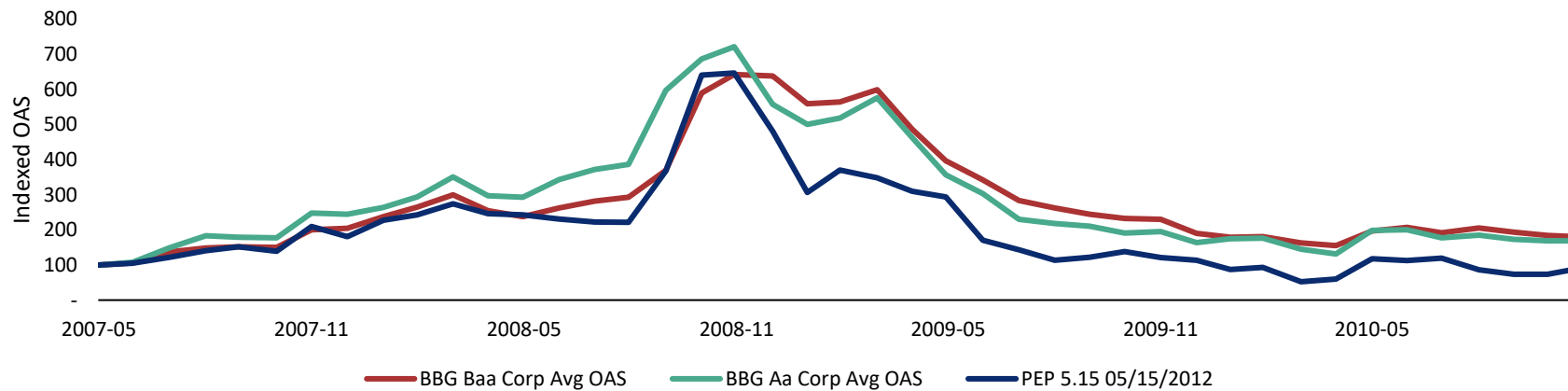


PepsiCo is a defensive play through recessions

PepsiCo Bond Performance vs. Indexes through 2000 Recession



PepsiCo Bond Performance vs. Indexes through 2008 Recession

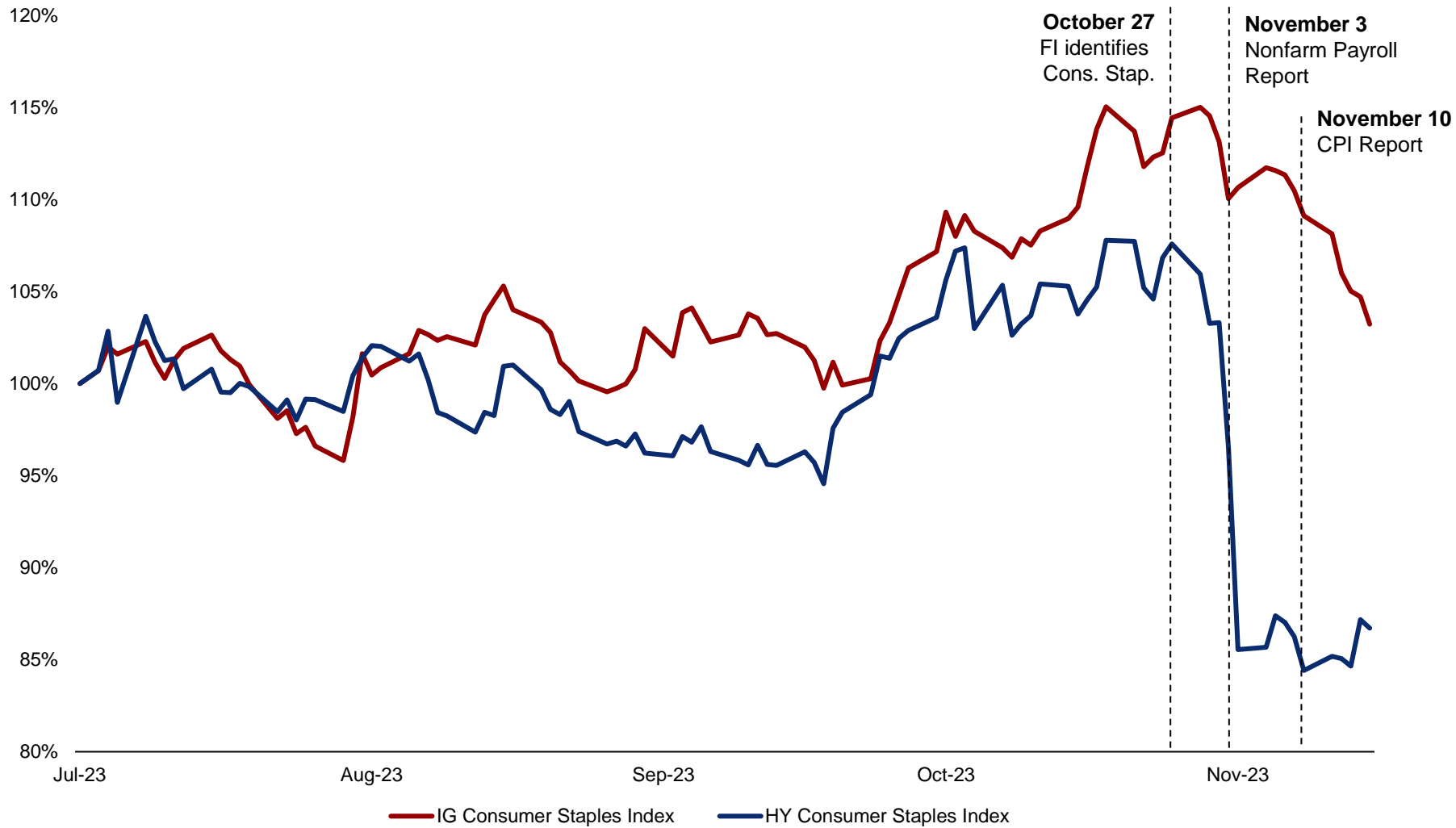


We think PEP is a great defensive play given DCM's view on the probability of a recession compared to the market

Source: Bloomberg

Consumer Staples Performance

Change in IG and HY consumer staples index OAS



Sadly, we may be too late to make the trade

Source: Bloomberg

Desautels Capital Management

Honours in Investment Management

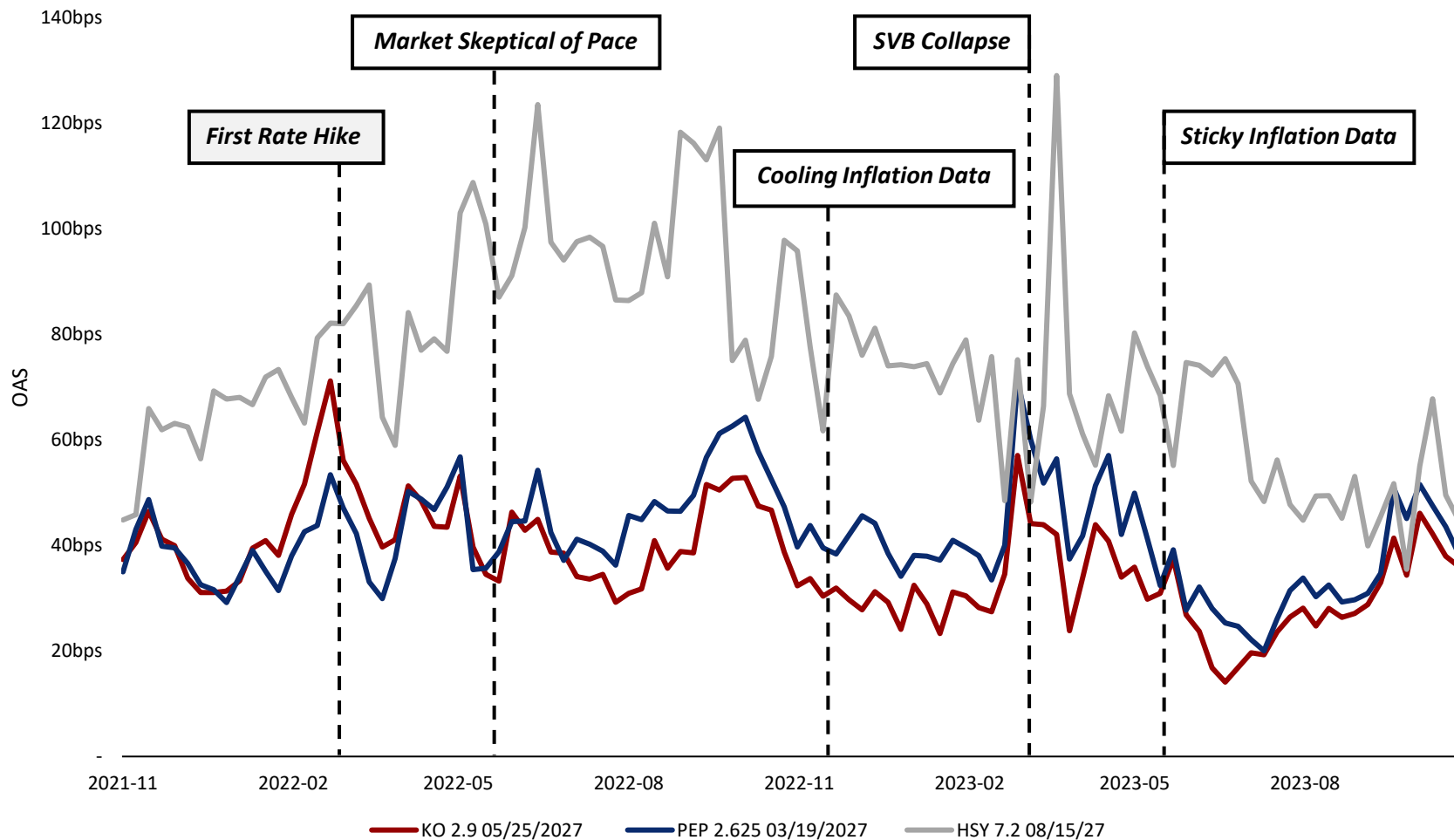
Thesis II: PepsiCo is the most attractive given
these headwinds

Section V



PEPSICO

How PepsiCo Moves Compared to Coca-Cola and Hershey's



Net Debt EBITDA

'21Q4: 2.10x '22Q1: 1.92x '22Q2: 1.92 '22Q3: 2.00x '22Q4: 1.90x '23Q1: 1.81x '23Q2: 1.83x '23Q3: 1.70x

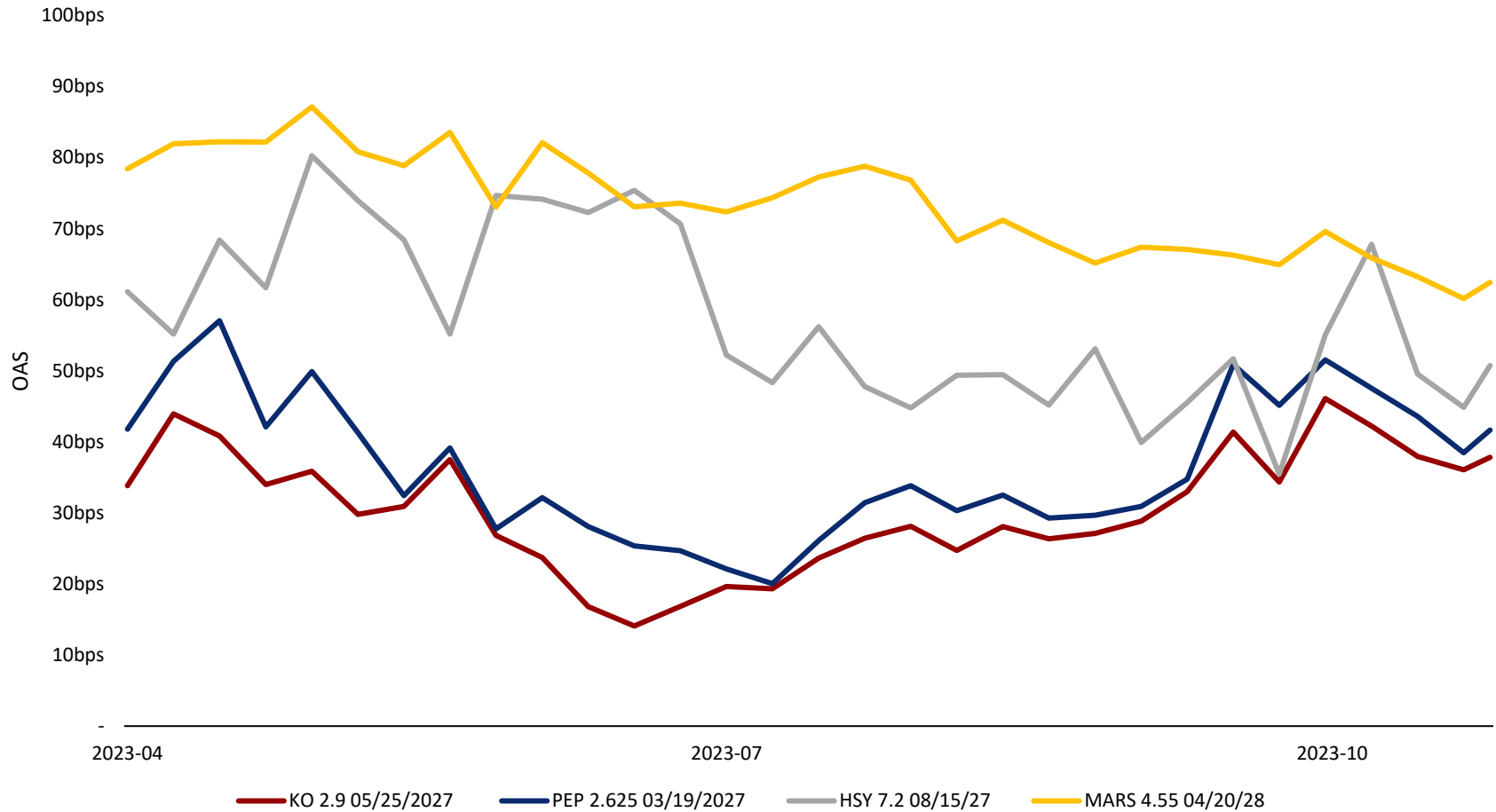
Hershey's spread widened with fear of recession, and compressed on soft-landing narrative and some de-levering

Source: Bloomberg

PEP Comps OAS Over Past 7 Months



Hershey's and Mars have compressed, while Coca-Cola and PepsiCo have expanded or traded flat

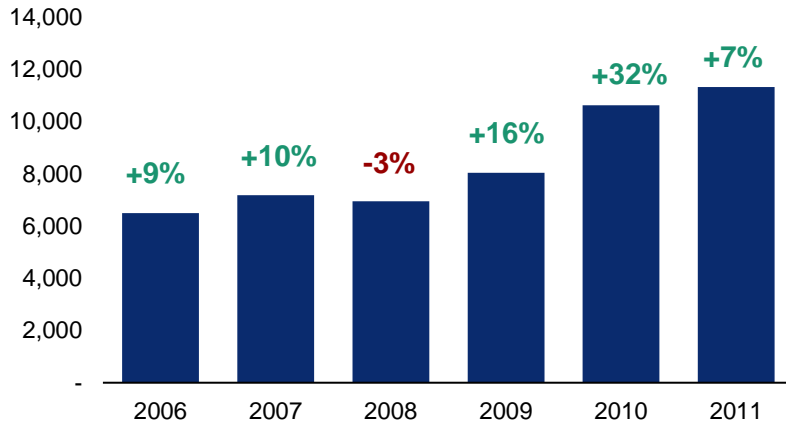


The market has continually priced in a greater likelihood of a soft landing, which is more crucial to HSY and MARS performance

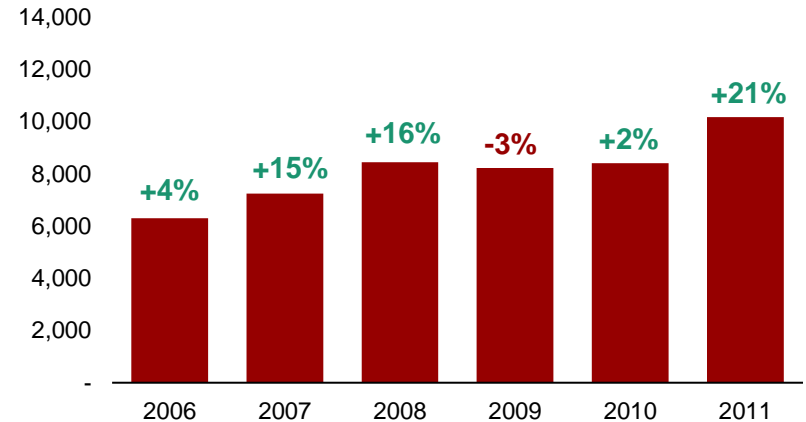
Source: Bloomberg

HSY is more dependent on discretionary consumer spending compared to PEP and KO

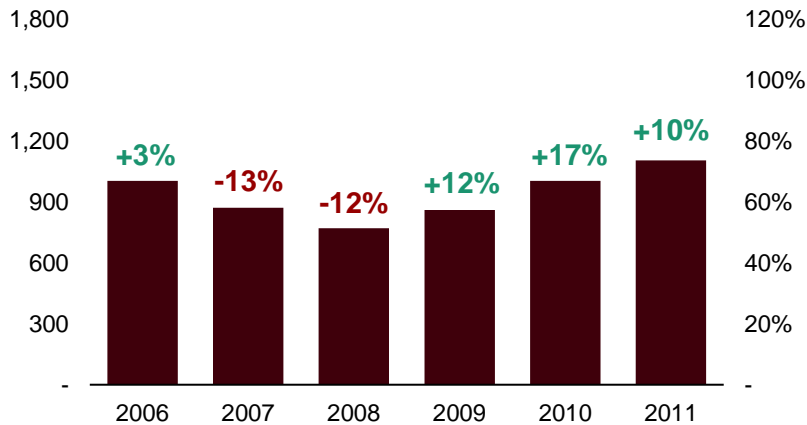
PepsiCo Operating Income



Coca-Cola Operating Income



Hershey's Operating Income



Conclusions

1 Hershey's fairs slightly worse during recessions



2 Market is underestimating the probability of recession



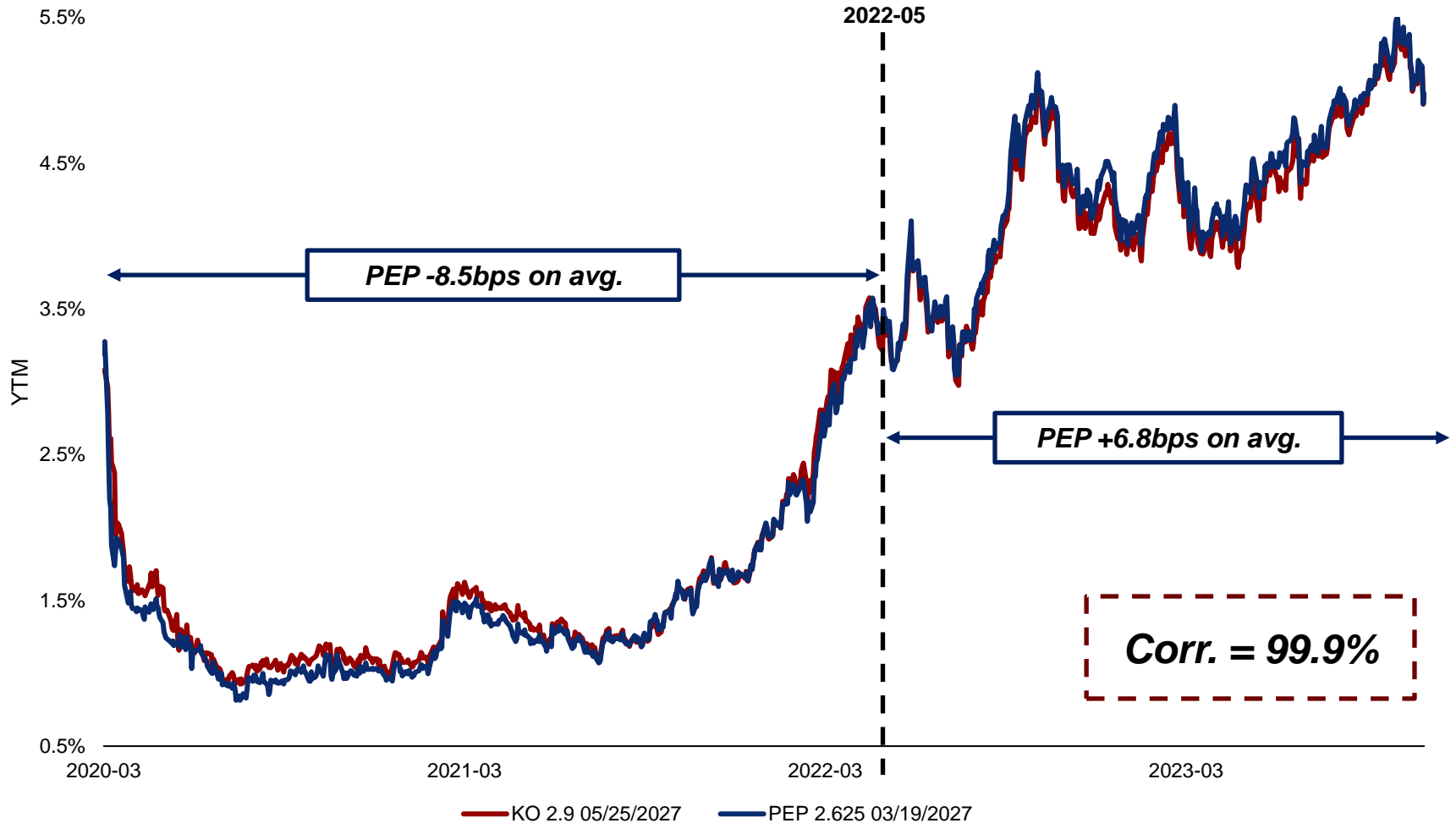
3 OW PEP & KO, UW HSY & MARS

We think PepsiCo and Coca-Cola are more attractive than Hershey's and Mars

Source: CapIQ

Pepsi vs Coca-Cola Yield

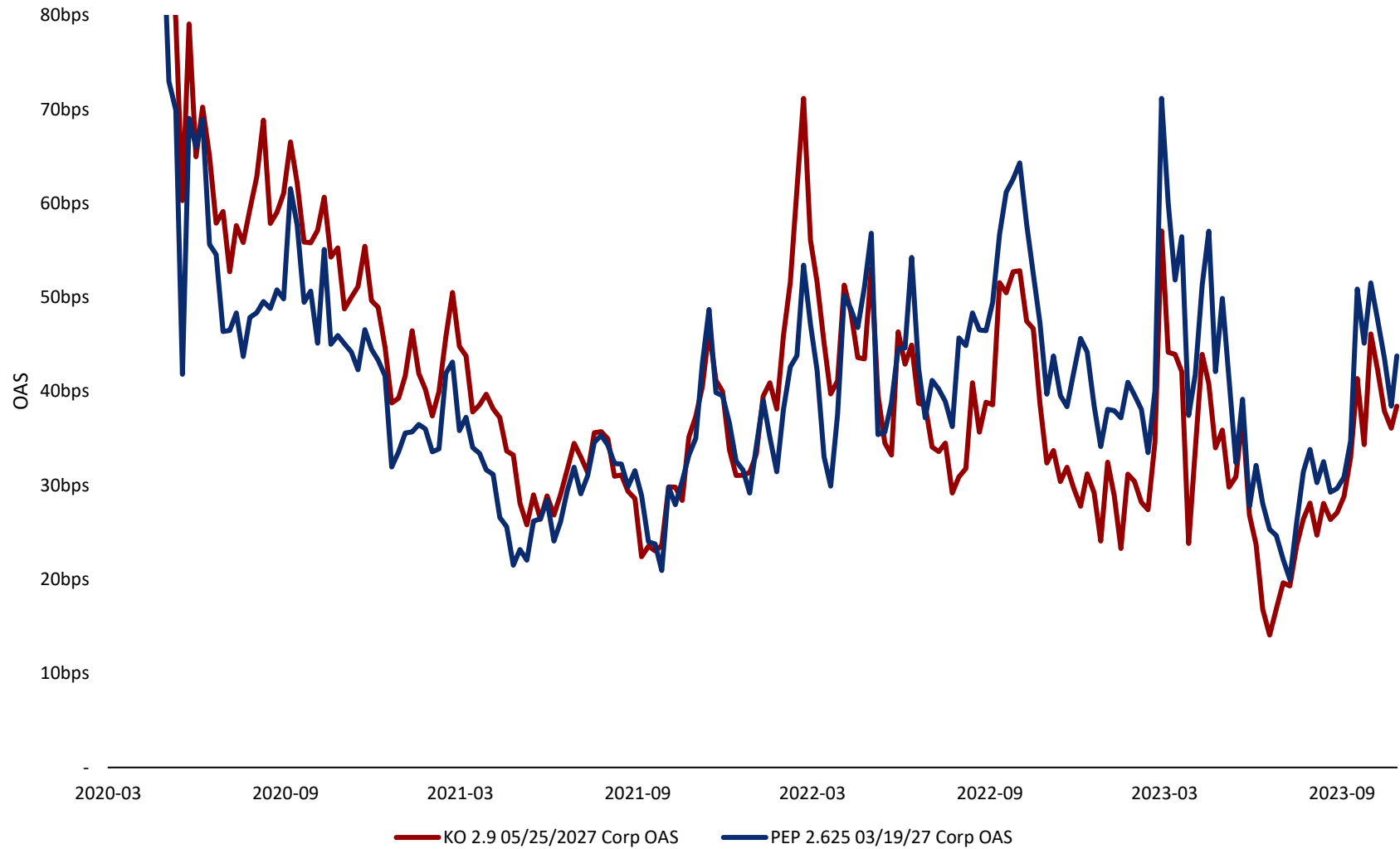
PEP used to trade at a premium compared to KO, but it has reversed recently



Pepsi's struggle with soft drink operating margins compared to Coca-Cola has resulted in a slight premium for Coca-Cola, but they are very similar

Source: Bloomberg

PEP used to trade tighter compared to KO



Source: Bloomberg

Inflationary Pressures on Pepsi's Bottling Operations

Pepsi's business model has been hurt more by rising commodity prices compared to Coca-Cola



Both companies produce concentrate (syrup)



Pepsi owns and operates bottling operations



Coca-Cola sells concentrate to ~200 independent bottlers

EBIT Margin: 11% → 10% (2018-2022)

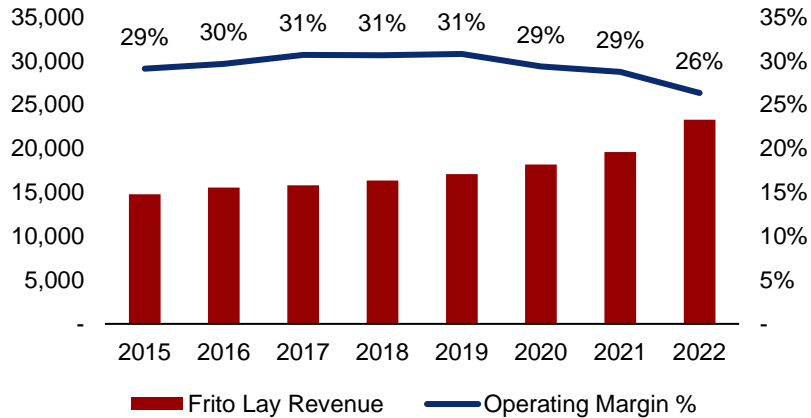
EBIT Margin: 22% → 25% (2018-2022)

PepsiCo was punished for owning their own bottling operations

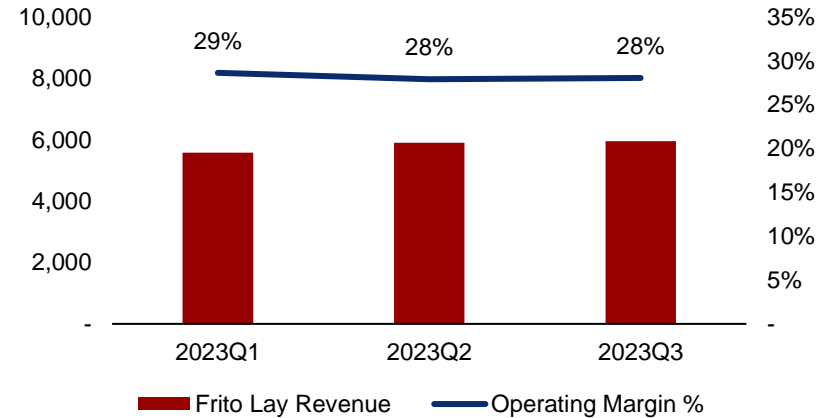
Impact of Inflation on Frito-Lay Margins

Rising commodity costs have hampered Frito-Lay operating margins

Frito-Lay Revenue and Operating Margin (USDmn)



Frito-Lay Revenue and Operating Margin in 2023...

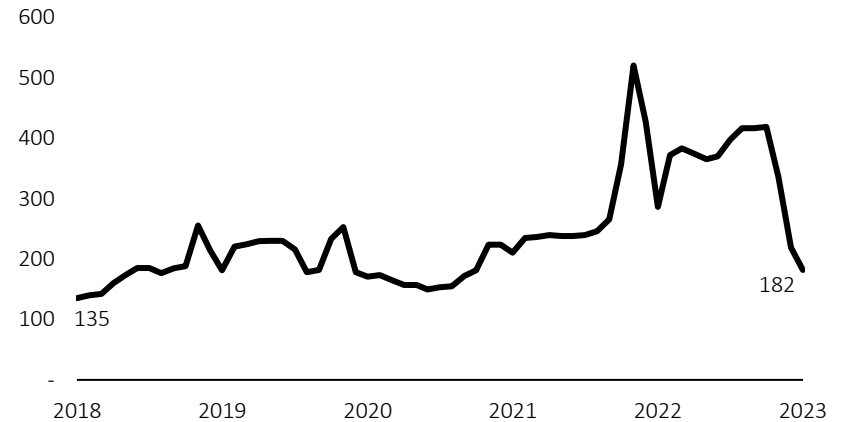


FY2022 MD&A Commentary

“...offset by certain operating cost increases, including a 17% impact of higher commodity costs, primarily cooking oil, potatoes and seasoning...”

- Hugh F Johnston, CFO

Potato Producer Price Index: Russet Potatoes



PepsiCo is already experiencing the benefits of moderating commodity inflation, and we believe this trend will accelerate further in 2024-26

Sources: CapIQ, Company Filings, St. Louis FED

Even with highly improbable scenarios, the 2026 issue would be unaffected if held to maturity

Aggressive Bear Case Assumptions



Revenue growth 0.6x consensus



Operating margin 400bps lower than consensus



CapEx (as a % of rev.) 100bps higher than consensus



Dividend payout 150% higher than historical levels



Share repurchases 150% higher than historical levels



Cash acquisitions 10% of CFO every year

EFFECT

- No effect on PEP's ability to pay off the 2026 bond → ~\$500mn in liquid assets at end of 2026
- No additional debt issuance or asset sales required

Why this is Highly Unlikely

- PepsiCo's need for Tier-1 commercial paper
- Long-term sustainability
- Margin and growth assumptions are extreme tail events

We are confident that barring any fraudulent activities, PepsiCo will be able to pay us back in full

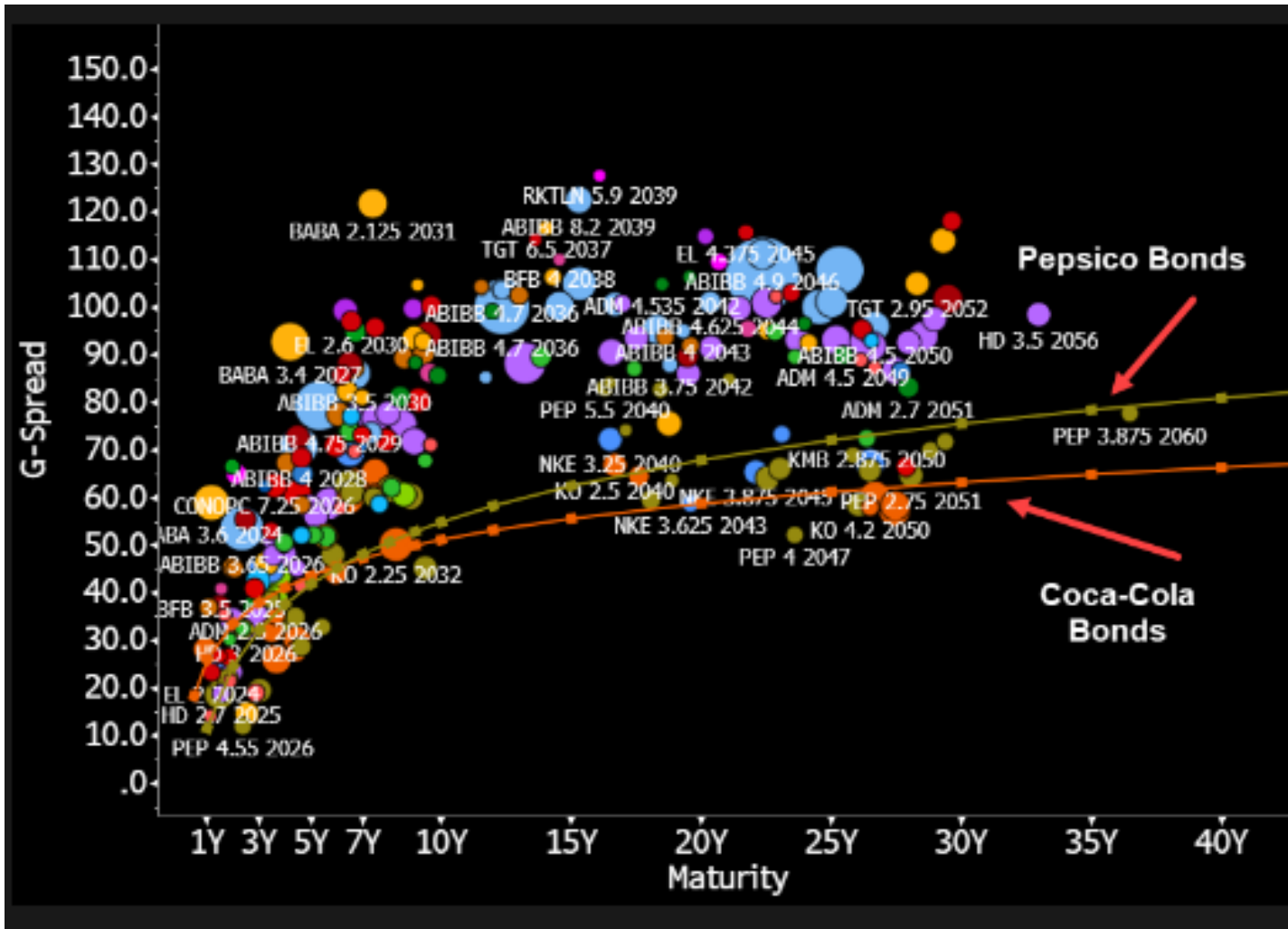
Desautels Capital Management

Honours in Investment Management

Appendix



PEPSICO



Source: Bloomberg

While it's not likely, it's not impossible



LEHMAN BROTHERS

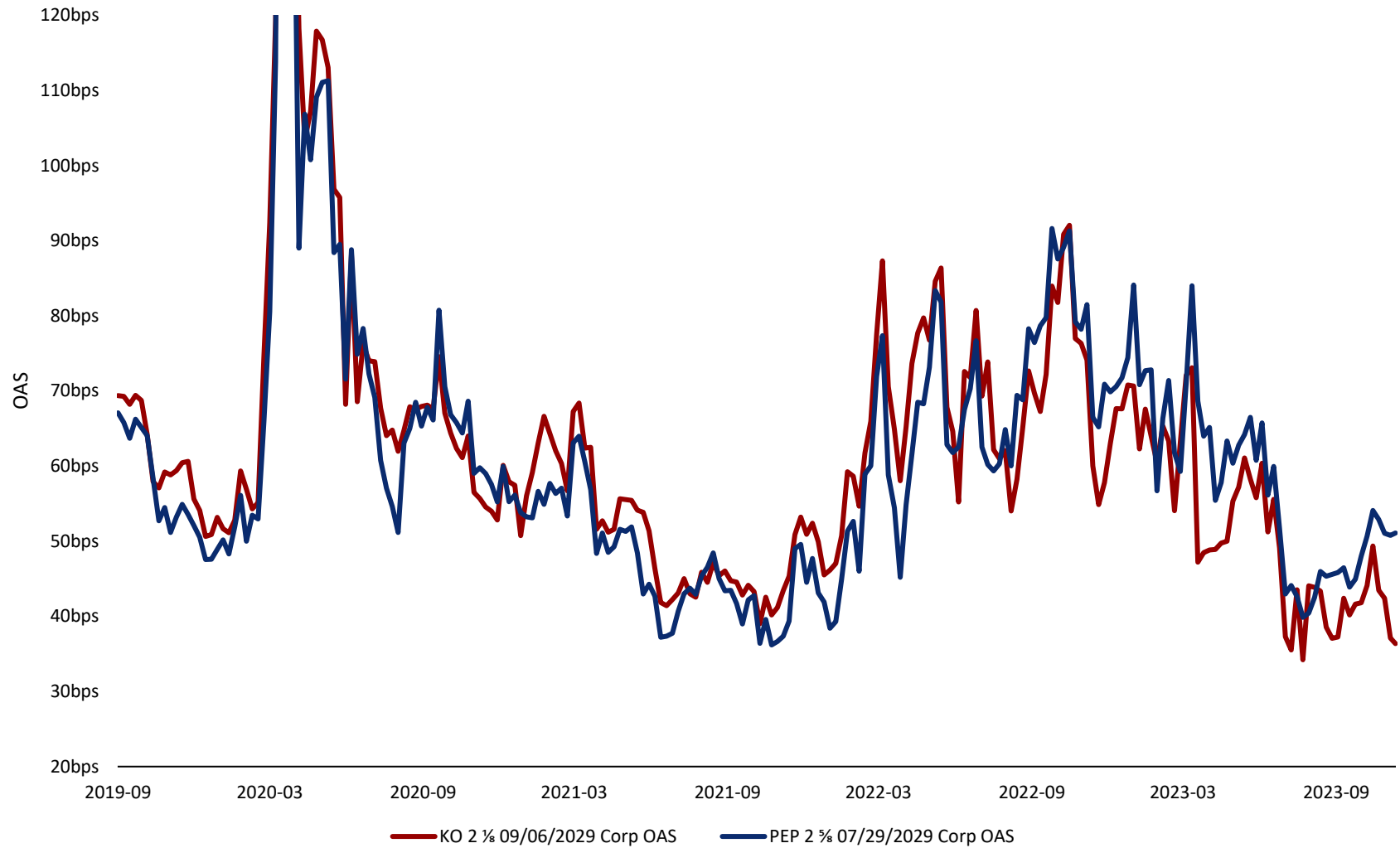
BBB+ → Fraud

A → Risk Management

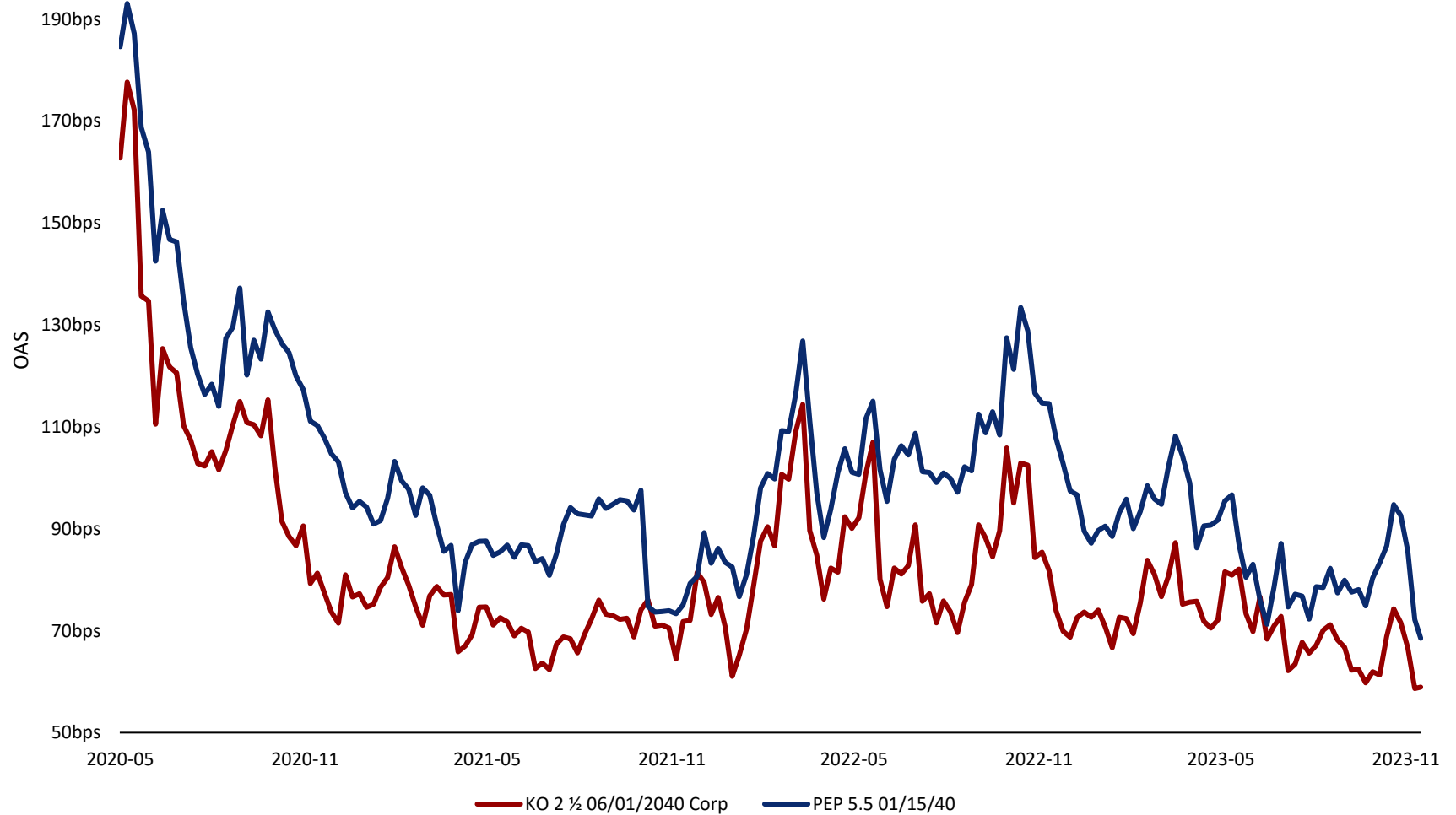


BBB+ → Fraud

PepsiCo vs. Coca-Cola OAS (2029s)

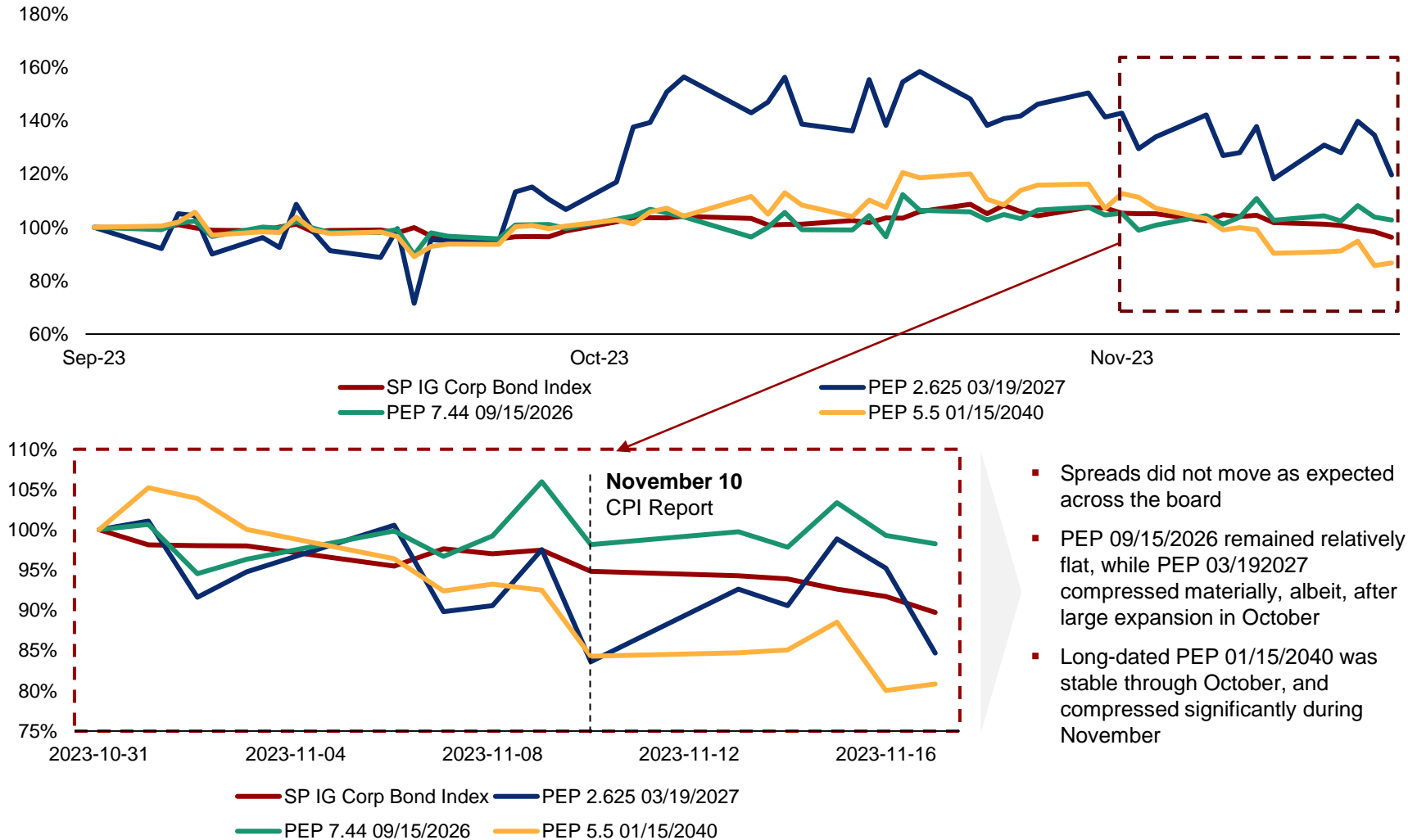


Source: Bloomberg



Pepsi Spread November Compression

Idiosyncratic factors may be impacting the daily spread change



Source: Bloomberg

Other A+ Comparable Bonds



Issuer Name	Ticker	Cpn	Maturity	BBG Composite	Mty Type	Currency	OAS Spread (Bid)	Mod Dur (Mid)	Enterprise Value	Net Debt to EBITDA	Debt/EBITDA	FCF/Tot Dbt	Interest Coverage Ratio	Debt/Assets	Yld to Mty (Bid)
PACCAR Financial Corp	PCAR	5.0510	2026-08-10	A+	AT MATURITY	USD	37.9599	2.47828	9#N/A N/A	12.98165	13.07256	0.05443	#N/A 2N/A	70.82386	5.067212
PepsiCo Inc	PEP	5.75550	2026-02-13	A+	AT MATURITY	USD	30.1429	0.00277	263927.3141	2.463643	3.198143	0.155157	12.25985	45.00309	5.615419
PACCAR Financial Corp	PCAR	4.4530	2026-03-30	A+	AT MATURITY	USD	26.77771	2.19598	1#N/A N/A	12.98165	13.07256	0.05443	#N/A 2N/A	70.82386	5.039452
Pfizer Inc	PFE	2.7503	2026-06-03	A+	AT MATURITY	USD	37.63797	2.36946	188625.6857	1.264491	4.141983	0.066325	25.65639	19.7997	5.104309
Eli Lilly & Co	LLY	5.515	2027-03-15	A+	AT MATURITY	USD	13.51474	2.9824	579475.9852	2.381642	2.717697	0.161342	21.49367	32.81201	4.72049
Toyota Motor Credit Corp	TOYOTA	1.12518	2026-06-18	A+	AT MATURITY	USD	41.89133	2.46726	9#N/A N/A	9.747459	10.07541	0.07610	#N/A 6N/A	81.16937	5.130172
Toyota Motor Credit Corp	TOYOTA	0.809	2026-01-08	A+	AT MATURITY	USD	36.12653	2.05890	6#N/A N/A	9.747459	10.07541	0.07610	#N/A 6N/A	81.16937	5.195052
Coca-Cola Co/The	KO	2.925	2027-05-29	A+	AT MATURITY	USD	36.62911	3.22858	273802.6748	2.014824	3.272053	0.253168	12.36848	43.77068	4.923998
Cisco Systems Inc	CSCO	2.9528	2026-02-28	A+	AT MATURITY	USD	24.75253	2.14182	177560.6255	-0.89134	0.429582	2.292157	35.20141	9.239877	5.051631
Merck Sharp & Dohme Corp	MRK	6.301	2026-01-03	A+	AT MATURITY	USD	18.18028	1.91790	283976.8488	2.256574	3.015484	0.377722	18.65385	29.30103	5.03251
PACCAR Financial Corp	PCAR	1.111	2026-05-11	A+	AT MATURITY	USD	31.06169	2.38367	8#N/A N/A	12.98165	13.07256	0.05443	#N/A 2N/A	70.82386	5.046519
Unilever Capital Corp	UNANA	2.28	2026-07-28	A+	AT MATURITY	USD	43.38143	2.54444	135878.9321	1.785751	2.253137	0.187866	13.75326	37.76102	5.116249

Disclaimer

The print and digital material ("the material") for this presentation was prepared by the analyst team of Desautels Capital Management ("DCM"). The qualitative and statistical information ("the information") contained in the material is based upon various sources and research believed to be reliable and DCM makes every effort to ensure that the information is accurate and up to date, but DCM accepts no responsibility and gives no guarantee, representation or warranty regarding the accuracy or completeness of the information quoted in the material. For reasons of succinctness and presentation, the information provided in the material may be in the form of summaries and generalizations, and may omit detail that could be significant in a particular context or to a particular person. Any reliance placed on such information by you shall be at your sole risk.

Opinions expressed herein are current opinions as of the date appearing in this material only and are subject to change without notice. In the event any of the assumptions used herein do not prove to be true, results are likely to vary substantially. All investments entail risks. There is no guarantee that investment strategies will achieve the desired results under all market conditions and each investor should evaluate its ability to invest for a long term especially during periods of a market downturn. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those discussed, if any. This information is provided with the understanding that with respect to the material provided herein, that you will make your own independent decision with respect to any course of action in connection herewith and as to whether such course of action is appropriate or proper based on your own judgment, and that you are capable of understanding and assessing the merits of a course of action. DCM shall not have any liability for any damages of any kind whatsoever relating to this material. You should consult your advisors with respect to these areas. By accepting this material, you acknowledge, understand and accept the foregoing.

No part of this document may be reproduced in any manner, in whole or in part, without the prior written permission of DCM, other than current DCM employees. Should you wish to obtain details regarding the various sources or research carried out by DCM in the compilation of this marketing presentation please email vadim.dipietro@mcgill.ca.