Siena Market Line
4th week of November 2016

Dr. Pepper Snapple Group, Inc.

NASDAQ:DPS

Analyst: Brandon Casey
Sector: Consumer Disc.

BUY

Price Target: $95.89

Key Statistics as of 11/17/2016

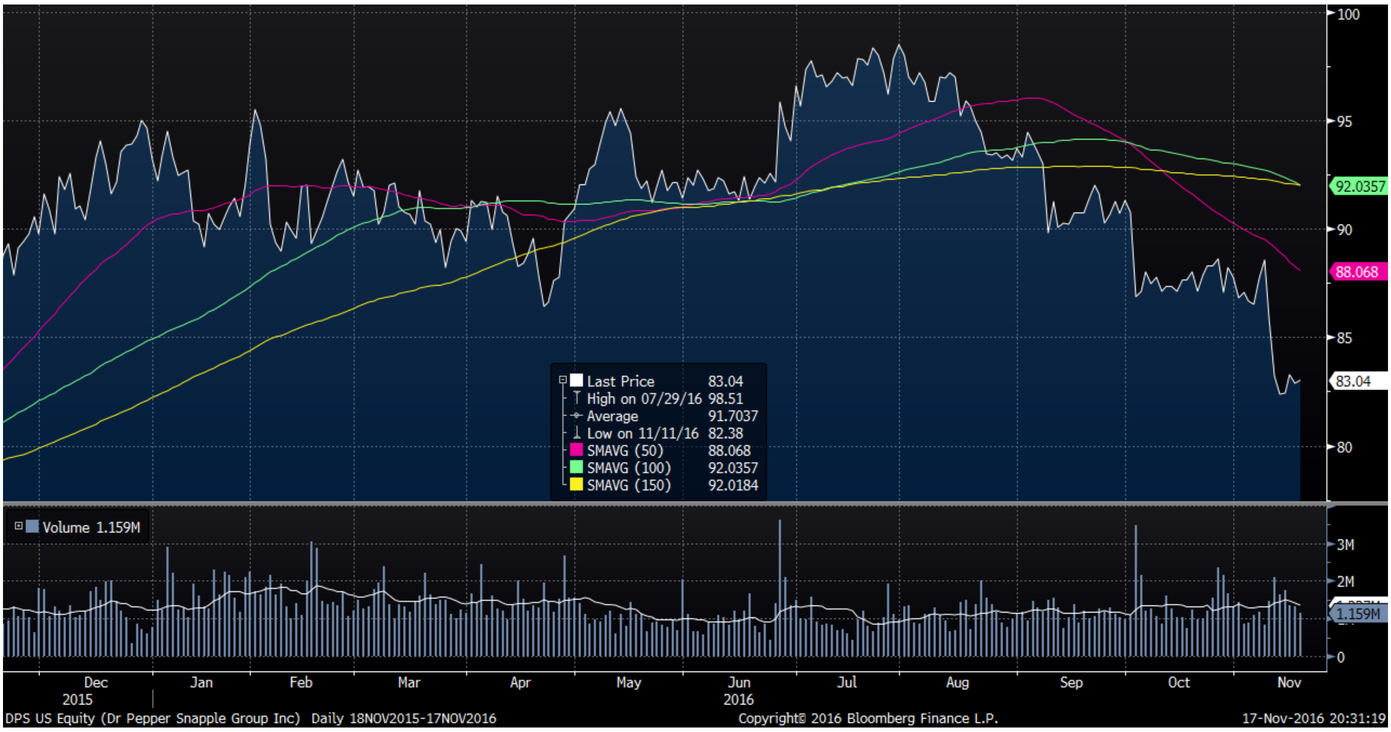
Market Price:	$83.04
Industry:	Restaurants, Food, and Drink
Market Cap:	$15.26B
52-Week Range:	$81.05-98.90
Beta:	0.67

Catalysts:

- Ability to outperform industry financially
- Acquisition of Bai Brands
- Future acquisitions and product changes

Company Description:

Dr. Pepper Snapple Group, Inc. is a leading manufacturer and distributor of carbonated and non-carbonated soft drinks. As of 2015, DPS had a share of 20.8% of the U.S. carbonated soda market. They also manufacture fountain syrup that is sold directly to the foodservice industry. Some popular carbonated soft drink brands that DPS owns are: Dr. Pepper, Canada Dry, Seven Up, A&W Root Beer, and Sunkist. Non-carbonated soft drinks include the following: Snapple, Hawaiian Punch, and Mott's. Dr. Pepper Snapple was started in the 1980s, built around the existing brand Schweppes. They added brands such as Mott's, Canada Dry and A&W. In 1995 they acquired Dr. Pepper and Seven Up, Inc. President/CEO Larry D. Young has been in office since 10/2007 and has multiple years of experience with the company.



Thesis

Dr. Pepper Snapple Group, Inc. is currently undervalued. DPS has a low P/E ratio of 18.81. Using forward P/E multiples and Capital IQ data, the median implied price per share is $126.23. DPS has low short interest at around 5.21%. Focusing on ownership, the percent change in new buyers increased by 6.59% and the percent change in selloffs decreased by 5.62%. This shows that more people are getting interested in buying the stock and less people are interested in selling. DPS has great margins in comparison to its competitors. In addition to that, DPS has higher sales growth than both of their main competitors, Coca-Cola and Pepsico. Dr. Pepper does have a lot of debt, but that shows that investors trust that Dr. Pepper will be able to pay the debt back. This is also shown with S&P's high rating of BBB+. The stock itself has a high average volume of 1,300,398 shares, so a lot of trading happens involving this stock. Additionally, DPS has outperformed analyst estimates on each of their last four quarters of earnings. Overall, DPS is an undervalued stock with high potential to grow and beat out its main competitors. I have DPS as a BUY at $83.04 for an approximate return of 18%.

Financials

DPS is a large company with market cap hovering around 15.9B. In comparison to their major competitors, Dr. Pepper's market cap is about one-tenth of Coca-Cola and Pepsico's. The average volume on DPS is around 1,307,893 shares. This shows that the stock is traded often and has a lot of interest in investors.

21) Overview | 22) Comp Sheets | 23) Markets | 24) EPS Preview | 25) Ownership | 26) Credit | 27) Custom

31) Create Template

Add Column | 93) Fields | 19) Save As

	Name (BI Peers)	Ticker	Mkt Cap (USD)	ROIC LF	WACC	GM LF	PM LF	OPM LF	T12M EBITDA Mrgn LF	EBITDA Mgn 3Yr Avg
	Average		30.12B	12.66%	7.61%	46.81%	10.98%	17.72%	21.52%	9.69%
100)	DR PEPPER SNAPPLE G	DPS US	15.34B	15.90%	5.93%	59.35%	14.29%	22.20%	25.67%	3.16%
101)	MONSTER BEVERAGE CO	MNST US	23.80B	16.62%	7.65%	63.83%	24.32%	36.85%	37.44%	1.81%
102)	COCA-COLA BOTTLING C	COKE US	1.54B	7.45%	6.50%	38.54%	2.73%	4.69%	7.77%	8.74%
103)	COCA-COLA CO/THE	KO US	176.44B	9.13%	6.49%	61.15%	9.84%	21.36%	25.06%	8.06%
104)	COCA-COLA FEMSA SAB-	KOFL MM	13.47B	8.44%	10.76%	44.57%	5.35%	11.31%	18.25%	9.02%
105)	COTT CORPORATION	BCB CN	1.66B	1.38%	6.14%	34.55%	-0.44%	3.91%	10.61%	9.92%
106)	LASSONDE INDS INC-CL	LAS/A CN	1.06B	9.73%	6.08%	29.28%	4.66%	8.56%	11.14%	0.73%
107)	ORGANIZACION CULTIB	CULTIBAB MM	688.29M	3.95%	9.23%	38.94%	0.45%	4.15%	9.89%	7.16%

(Accounting adjustments: Adjusted for abnormal items, when applicable) 10) Analyze List

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2016 Bloomberg Finance L.P.
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Above is the financial layout of Dr. Pepper Snapple Group Inc. compared to its competitors. I pulled data from Bloomberg comparing DPS to competitors in the food and beverage sub-industry. By looking at the margins, Dr. Pepper is operating above the industry average for most measures of efficiency. DPS has a WACC of 5.93%, lower than the industry average of 7.61%. Their gross margin of 59.35%, profit margin of 14.29%, and operating margin of 22.20% are all higher than the industry averages of 46.81%, 10.98%, and 17.72% respectively. Additionally, DPS has higher EBITDA margin and 3 year average EBITDA margin, showing that they have been more efficient in the past and are still currently efficient. DPS margins show that they're growth is not only organic, but they are more efficient than most competitors. DPS has an ROIC margin of 15.90%, higher than the industry average of 12.66%. However, using our proforma we calculate a more standardized and accurate version of ROIC.

ROIC W/O GW		
	History	***LFY***
dps	**42.7%**	**38.8 %**
Competitors	**22.5%**	**25%**

Above is the ROIC margin without goodwill of DPS against its competitors Monster Beverage Co., Coca-Cola, and Pepsico. Here I noticed that DPS is even more profitable than Bloomberg states.

At 17:05 d Vol 1,416,796 O 82.94N H 83.66T L 82.89D Val 118.059M

DPS US Equity | 96) Actions | 97) Output | 98) Settings | Financial Analysis

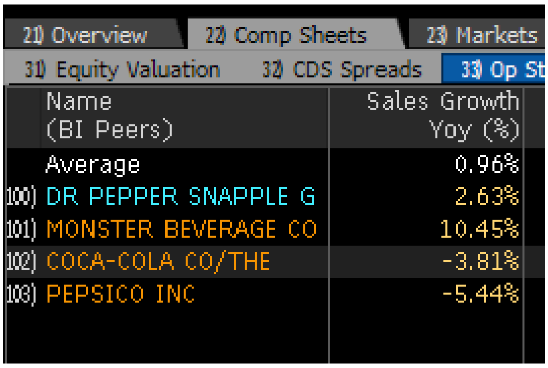
ADJ Dr Pepper Snapple Group Inc — Periods 10 Annuals — Currency USD

1) Key Stats | 2) I/S | 3) B/S | 4) C/F | 5) Ratios | 6) Segments | 7) Addl | 8) ESG | 9) Custom

11) Standardized | 12) As Reported

In Millions of USD except Per Share	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Last 12M
12 Months Ending	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	09/30/2016
Cash from Operating Activities						
+ Net Income	606.0	629.0	624.0	703.0	764.0	867.0
+ Depreciation & Amortization	232.0	240.0	234.0	235.0	227.0	225.0

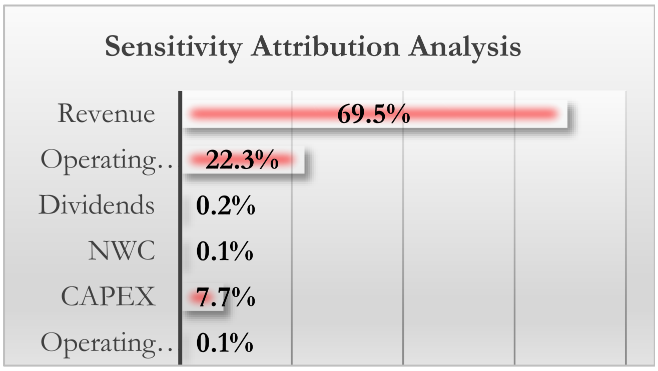
In order to show how Dr. Pepper Snapple Group is growing, I took a look at cash flows for net income. At the end of Fiscal Year 2011 DPS had net income of $606 Million. As for the last 12 month DPS is reporting net income of $867 Million. This about a 43% increase in 5 years. Also, net income has been growing more rapidly in recent years.



21) Overview	22) Comp Sheets	23) Markets
31) Equity Valuation	32) CDS Spreads	33) Op St

Name (BI Peers)	Sales Growth Yoy (%)
Average	0.96%
100) DR PEPPER SNAPPLE G	2.63%
101) MONSTER BEVERAGE CO	10.45%
102) COCA-COLA CO/THE	-3.81%
103) PEPSICO INC	-5.44%

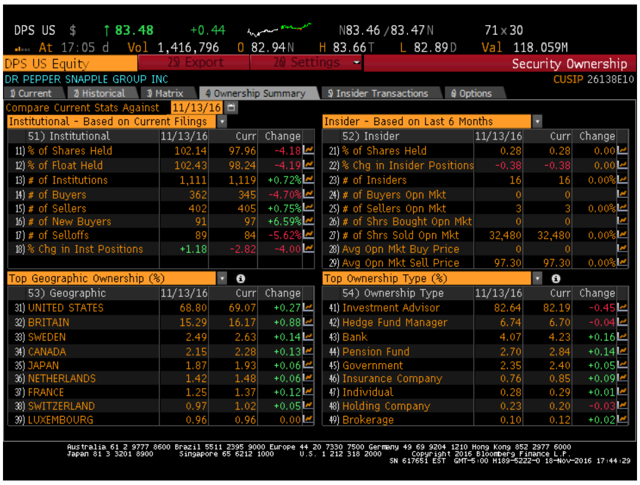
Not only is net income a great foundation of growth for DPS, but their sales growth is impressive as well. Compared to their three main competitors, they rank second in growth at 2.63% year to year. Already established companies such as Coca-Cola and Pepsico are actually decreasing sales growth as time goes on. This is because the world, and the United States specifically, are becoming more aware of the health hazards that soda creates. If this is so then why is Dr. Pepper still growing positively? DPS is becoming aware of this trend and are acting on it fast. They are becoming a more healthy company by acquiring health conscious beverages.



Using our proforma in Microsoft Excel, the sensitivity attribution analysis shows that revenues affect 69.5% of changes in price per share. This is a significant amount. DPS has great sales growth and net income growth, leading me to believe that the price will continue to rise.

Ownership

As stated before, DPS has high trading volume. However only 6.76% of DPS is owned by a hedge fund. Additionally, there is not a lot of insider trading happening within the company. On the other hand, the percent change in number of new institutional buyers increased by 6.59%. The percent change in number of selloffs decreased by 5.62%. This shows that there is interest in this company from institutions, and most of the interest is to go long in DPS. Also, there is less interest to go short.



DPS US $ ↑83.48 +0.44 N83.46 /83.47N 71x30
At 17:05 d Vol 1,416,796 O 82.94N H 83.66T L 82.89D Val 118.059M
DPS US Equity 25) Export 26) Settings Security Ownership
DR PEPPER SNAPPLE GROUP INC CUSIP 26138E10
1) Current 2) Historical 3) Matrix 4) Ownership Summary 5) Insider Transactions 6) Options
Compare Current Stats Against 11/13/16

Institutional - Based on Current Filings

51) Institutional	11/13/16	Curr	Change
11) % of Shares Held	102.14	97.96	-4.18
12) % of Float Held	102.43	98.24	-4.19
13) # of Institutions	1,111	1,119	+0.72%
14) # of Buyers	362	345	-4.70%
15) # of Sellers	402	405	+0.75%
16) # of New Buyers	91	97	+6.59%
17) # of Selloffs	89	84	-5.62%
18) % Chg in Inst Positions	+1.18	-2.82	-4.00

Insider - Based on Last 6 Months

52) Insider	11/13/16	Curr	Change
21) % of Shares Held	0.28	0.28	0.00
22) % Chg in Insider Positions	-0.38	-0.38	0.00
23) # of Insiders	16	16	0.00%
24) # of Buyers Opn Mkt	0	0	
25) # of Sellers Opn Mkt	3	3	0.00%
26) # of Shrs Bought Opn Mkt	0	0	
27) # of Shrs Sold Opn Mkt	32,480	32,480	0.00%
28) Avg Opn Mkt Buy Price	0	0	
29) Avg Opn Mkt Sell Price	97.30	97.30	0.00%

Top Geographic Ownership (%)

53) Geographic	11/13/16	Curr	Change
31) UNITED STATES	68.80	69.07	+0.27
32) BRITAIN	15.29	16.17	+0.88
33) SWEDEN	2.49	2.63	+0.14
34) CANADA	2.15	2.28	+0.13
35) JAPAN	1.87	1.93	+0.06
36) NETHERLANDS	1.42	1.48	+0.06
37) FRANCE	1.25	1.37	+0.12
38) SWITZERLAND	0.97	1.02	+0.05
39) LUXEMBOURG	0.96	0.96	0.00

Top Ownership Type (%)

54) Ownership Type	11/13/16	Curr	Change
41) Investment Advisor	82.64	82.19	-0.45
42) Hedge Fund Manager	6.74	6.70	-0.04
43) Bank	4.07	4.23	+0.16
44) Pension Fund	2.70	2.84	+0.14
45) Government	2.35	2.40	+0.05
46) Insurance Company	0.76	0.85	+0.09
47) Individual	0.28	0.29	+0.01
48) Holding Company	0.23	0.20	-0.03
49) Brokerage	0.10	0.12	+0.02

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Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2016 Bloomberg Finance L.P.
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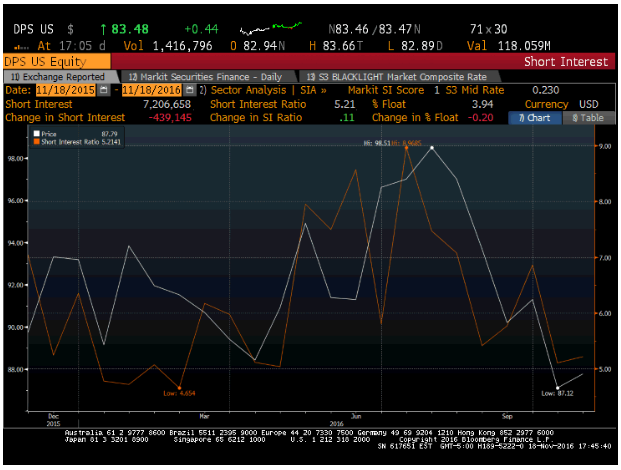
Short Interest



DPS has a relatively low short interest ratio of 5.21%. As of July 2016, DPS had a short interest of 8.96%. The large drop in short interest may be explained by Dr. Pepper's ability to identify customer's needs and react on them. Dr. Pepper is furiously trying to adapt to the new health standards of citizens and make their company more appealing to those types of citizens.

Debt/Acquisitions

Dr. Pepper Snapple Group has a debt to equity ratio of 1.56. This may seem high, but being in the beverage industry requires a lot of debt. Pepsico has a debt to equity ratio of 2.79 and Coca-Cola has a debt to equity ratio of 1.8. Ultimately, DPS has a lower debt to equity ratio than two of the most developed companies in its industry. However, the fact that DPS is able to take on so much debt means that investors trust that they will not default. This can be shown through DPS's debt rating of BBB+ by Standard & Poor's.

Moody's	
2) Outlook	STABLE
3) Long Term Rating	Baa1
4) Senior Unsecured Debt	Baa1
5) Short Term	P-2
6) Standard & Poor's	SP
7) Outlook	STABLE
8) LT Foreign Issuer Credit	BBB+
9) LT Local Issuer Credit	BBB+
10) ST Foreign Issuer Credit	A-2
11) ST Local Issuer Credit	A-2

One event that is necessary to point out is that on November 8th, Coca-Cola, Pepsico, and Dr. Pepper's share price plummeted. This was because on November 8th three bay area cities, San Francisco, Oakland, and Albany became the first in the country to levy a tax on sodas and other sugary drinks in an effort to reduce country-wide diabetes and obesity. This may seem like a downside of the stock, but Dr. Pepper is doing all it can to prevent this tax from effecting itself as much as competitors. This tax levy will not have that big of an effect on DPS since 11% of its revenues come from outside the United States. That being said, they still have plenty of room to expand internationally to further avoid these taxes.

On November 22nd, 2016, Dr. Pepper Snapple Group acquired Bai Brands for $1.7 Billion. Bai Brands s one of the fastest growing flavored water companies in the U.S. and its sales are growing. In 2015 Bai Brands had $120 Million in sales and this year its on pace for $300 Million. At the same time, soda sales have been plummeting. DPS could not have made a smarter move in order to gain a competitive advantage against Coca-Cola and Pepsico.

Conclusion

Overall, Dr. Pepper Snapple Group Inc. is a company that has a lot of room for growth. DPS has the ability to take on a lot of debt while still operating at efficient margins of operation. Their financials show that they are organically growing and have great growth in net income and sales. Their most recent acquisition of Bai Brands shows us that DPS is ready to satisfy the new philosophy of customers, which is to start drinking healthier. I believe this DPS is a BUY because they are the only company in the industry to act as fast as they are in an effort to appeal to the most customers.

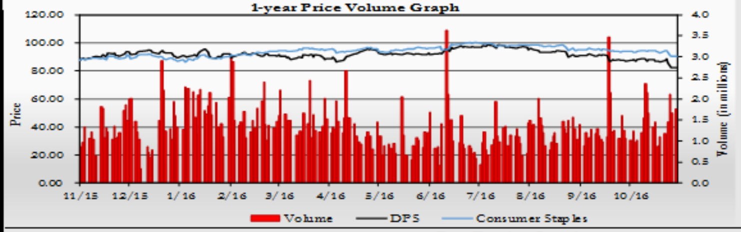
Dr Pepper Snapple Group, Inc. (DPS)

CENTER FOR GLOBAL FINANCIAL STUDIES

NEUTRAL

Analysis by Brandon Casey	Current Price: $83.04	Intrinsic Value $90.95	Target 1 year Return: 17.93%
11/18/2016	Divident Yield: 2.5%	Target Price $95.89	Probability of Price Increase: 91.2%

1-year Price Volume Graph



Description

Dr Pepper Snapple Group, Inc. operates as a brand owner, manufacturer, and distributor of non-alcoholic beverages in the United States, Mexico, and Canada.

General Information

Sector	Consumer Staples
Industry	Beverages
Last Guidance	November 3, 2015
Next earnings date	February 15, 2017
Estimated Country Risk Premium	6.25%
Effective Tax rate	34%
Effective Operating Tax rate	34%

Market Data

Market Capitalization	$15,255.71
Daily volume (mil)	1.15
Shares outstanding (mil)	183.72
Diluted shares outstanding (mil)	188.13
% shares held by institutions	74%
% shares held by investments Managers	78%
% shares held by hedge funds	7%
% shares held by insiders	0.27%
Short interest	3.92%
Days to cover short interest	5.57
52 week high	$98.80
52-week low	$81.05
Levered Beta	0.37
Volatility	16.42%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
9/30/2015	0.09%	-5.19%
12/31/2015	-1.78%	-9.99%
3/31/2016	-1.20%	5.48%
6/30/2016	-0.41%	6.56%
9/30/2016	-0.12%	-5.62%
Mean	-0.68%	-1.75%
Standard error	0.4%	3.3%

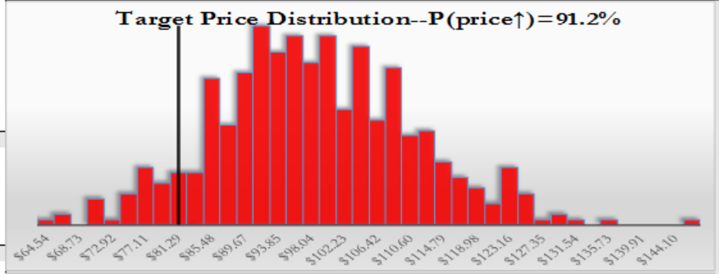
Peers

Pepsico, Inc.
Monster Beverage Corporation
Coca-Cola Bottling Co. Consolidated
Coca-Cola FEMSA S.A.B de C.V.

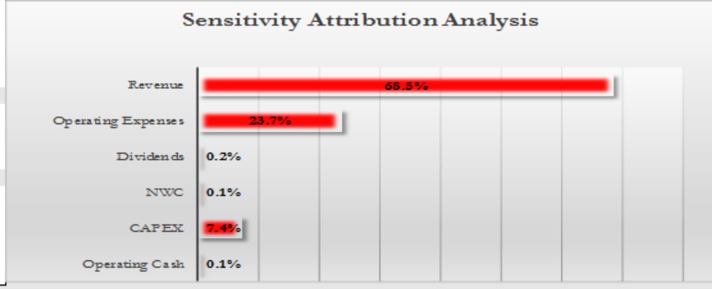
Management	Position	Total compensation growth	Total return to shareholders
Young, Larry	Chief Executive Officer, Pre	5.37% per annum over 5y	4.56% per annum over 5y
Ellen, Martin	Chief Financial Officer and	-13.59% per annum over 5y	4.56% per annum over 5y
Hobson, Derry	Executive Vice President of	4.43% per annum over 5y	4.56% per annum over 5y
Collins, Rodger	President of Packaged Bevera	8.03% per annum over 5y	4.56% per annum over 5y
Johnston, James	President of Beverage Concen	6.36% per annum over 5y	4.56% per annum over 5y
Stephens, Angela	Principal Accounting Officer	N/M	N/M

Profitability	DPS (LTM)	DPS (5 years historical average)	Industry (LTM)
ROIC	51.3%	86.80%	13.37%
NOPAT Margin	16%	17.50%	16.6%
Revenue/Invested Capital	3.26	4.96	0.81
ROE	-66.2%	-50.67%	15.92%
Adjusted net margin	14%	16.03%	13.9%
Revenue/Adjusted Book Value	-4.67	-3.16	1.14
Invested Funds	**DPS (LTM)**	**DPS (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	7.8%	6.2%	23%
Estimated Operating Cash/Total Capital	6.3%	2.9%	N/A
Non-cash working Capital/Total Capital	-1.7%	-1.1%	9%
Invested Capital/Total Capital	26.1%	21.3%	72%
Capital Structure	**DPS (LTM)**	**DPS (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.22	0.28	0.23
Cost of Existing Debt	4.19%	4.38%	3.13%
Estimated Cost of new Borrowing	3.70%	3.96%	3.13%
CGFS Risk Rating	BB	B	B
Unlevered Beta (LTM)	0.32	0.34	0.63
WACC	5.70%	6.00%	7.54%

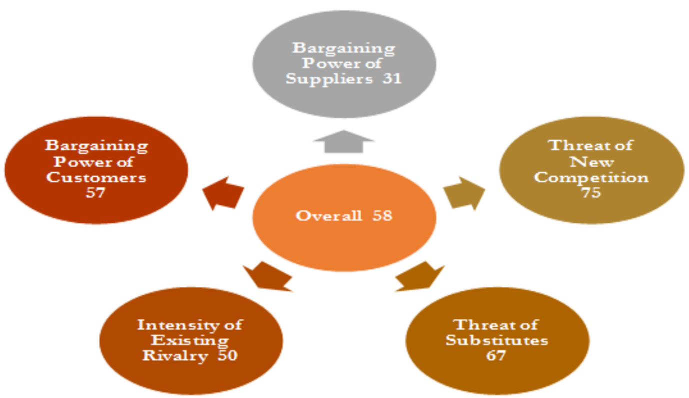
Target Price Distribution--P(price↑)=91.2%



Sensitivity Attribution Analysis



Porter's 5 forces (scores are out of 100)



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	2.6%	15.7%	9.00
9/30/2017	1.4%	13.8%	7.57
9/30/2018	1.0%	14.0%	7.36
9/30/2019	1.5%	14.0%	7.19
9/30/2020	4.4%	14.2%	7.39
9/30/2021	2.8%	14.0%	7.03
9/30/2022	2.1%	14.0%	6.77
9/30/2023	2.1%	14.1%	6.61
9/30/2024	2.6%	14.5%	6.62
9/30/2025	3.1%	14.9%	6.65
9/30/2026	3.6%	15.3%	6.69
Continuing Period	4.1%	15.7%	4.21

Period	Invested Capital	Net Claims	Price per share
Base Year	$910.88	$3,512.84	$91.11
9/30/2017	$987.34	$3,116.84	$95.27
9/30/2018	$1,511.17	$2,681.73	$99.58
9/30/2019	$1,548.18	$2,205.30	$103.93
9/30/2020	$1,964.32	$1,768.97	$108.43
9/30/2021	$2,085.81	$1,339.27	$112.89
9/30/2022	$2,196.88	$893.67	$117.37
9/30/2023	$2,293.99	$432.70	$121.90
9/30/2024	$2,358.19	-$60.45	$126.48
9/30/2025	$2,523.67	-$616.24	$131.26
9/30/2026	$2,683.62	-$1,181.30	$135.90
Continuing Period			