

## The Coca-Cola Company (KO)

Consumer Staple – Soft Drink Manufacturer

October 16, 2023

### Investment Thesis

The Coca-Cola Company is one of the most well-known brands in the world. The Company owns and produces 5 of the 6 worlds' top nonalcoholic sparkling soft drinks<sup>1</sup>. KO has been operating in the United States since 1892, making it one of the oldest companies in the US. We are recommending a buy with a target price of \$60-63, representing an upside of 7-11%.

### Drivers of Thesis

- Coca Cola is an incredibly well-known brand that dominates the market. In 2021, KO had a 46% market share of the United States soft drink market<sup>11</sup>, a dominance we expect to continue.
- As KO continues to make acquisitions and innovate current brands, offerings will likely become more focused on changing consumer trends.
- The Company has paid a steady and reliable dividend for many years, and with growing sales might be able to grow the dividend faster than expected.

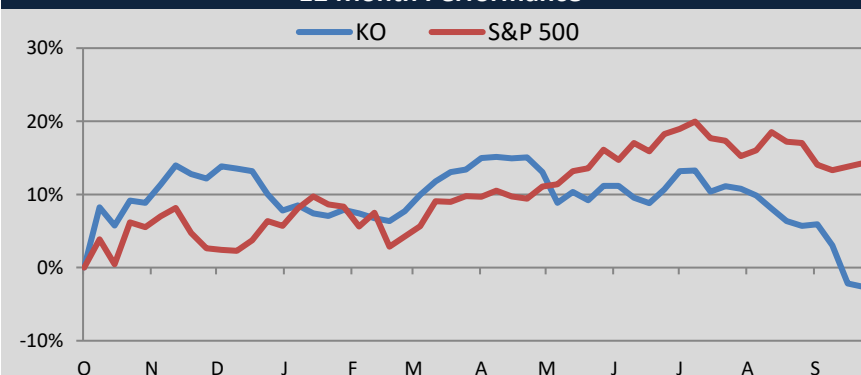
### Risks to Thesis

- As 46% of revenues come from the United States<sup>1</sup>, a continued strength in the dollar might continue to hinder margins in the short-term.
- KO is nearing the classification of a monopoly, a 50% market share, and has been acquiring brands to grow. Recently, the Federal Trade Commission has been attempting to block mergers and acquisitions. Blocking deals will likely hinder growth for KO.
- Weight-loss drugs such as Wegovy are still in their infancy but have been reported to stop consumers from craving certain foods and drinks. If this trend persists, KO will likely experience slower, or stagnating growth.

### Earnings Estimates

| Year    | 2020   | 2021   | 2022   | 2023E  | 2024E  | 2025E  |
|---------|--------|--------|--------|--------|--------|--------|
| EPS     | \$1.80 | \$2.26 | \$2.20 | \$2.68 | \$2.80 | \$2.98 |
| HF est. |        |        |        | \$2.58 | \$2.78 | \$2.97 |
| Growth  | -13.8% | 25.6%  | -2.7%  | 7.50%  | 6.94%  | 6.33%  |

### 12 Month Performance



### Stock Rating

BUY

### Target Price

\$60-66

|                   |      |
|-------------------|------|
| Henry Fund DCF    | \$63 |
| Henry Fund DDM    | \$61 |
| Relative Multiple | \$66 |

### Price Data

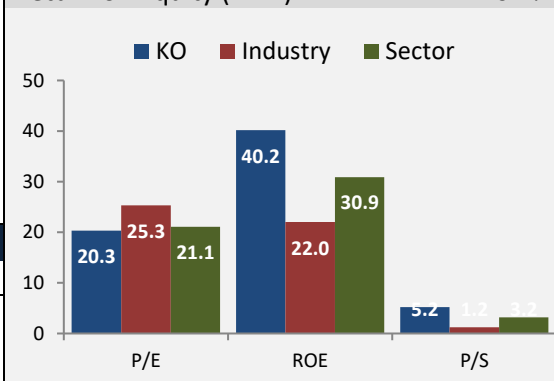
|                      |           |
|----------------------|-----------|
| Current Price        | \$55      |
| 52wk Range           | \$54 – 65 |
| Consensus 1yr Target | \$69      |

### Key Statistics

|                         |       |
|-------------------------|-------|
| Market Cap (B)          | \$238 |
| Shares Outstanding (M)  | 4,320 |
| Institutional Ownership | 71.5% |
| Beta                    | 0.55  |
| Dividend Yield          | 3.3%  |
| Est. 5yr Growth         | 6.4%  |
| Price/Earnings (TTM)    | 22.8  |
| Price/Earnings (FY1)    | 20.8  |
| Price/Sales (TTM)       | 5.4   |
| Price/Book (mrq)        | 9.1   |

### Profitability

|                        |       |
|------------------------|-------|
| Operating Margin       | 28.6% |
| Profit Margin          | 23.8% |
| Return on Assets (TTM) | 8.2%  |
| Return on Equity (TTM) | 40.2% |



### Company Description

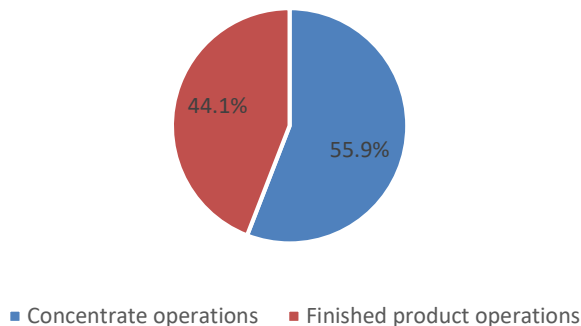
Coca Cola is a mainstay in American culture that has been around since 1892. The Company has expanded worldwide and has products available to consumers in more than 200 countries and territories<sup>1</sup>. Coca Cola owns and operates many different brands in the soft drink, coffee, tea/juice, value-added dairy, and plant-based beverage markets. The Company owns 5 of the 6 top non-alcoholic brands in the world. Coca Cola has been a mainstay in American pop culture, leading to its continued dominance.

## COMPANY DESCRIPTION

Coca Cola is one of the most well-known brands worldwide. The Company operates five of the top soft-drink brands in the world, Coca-Cola (Coke), Sprite, Fanta, Coca-Cola Zero Sugar, and Diet Coke/Coca-Cola light. In addition to these five brands, owns brands in water, coffee, sports, tea, juice, dairy, and plant-based beverages. Some of the best-known brands include Dasani, Gold Peak, Powerade, Topo Chico, fairlife, and Minute Maid. There are many other popular brands the Company operates<sup>1</sup>.

In addition to owning brands, KO provides marketing support and has strategic relationships with other brands to participate in their sales. An example of this partnership is with Monster Beverage Corporation, a competitor. This is a unique relationship that KO has been able to form due to their vast bottling and distribution network. In 2022, concentrate operations made up 56% of revenues and finished products made up the remaining 44%.

'22 Revenue Breakdown



Source: 10k

### Concentrate Operations

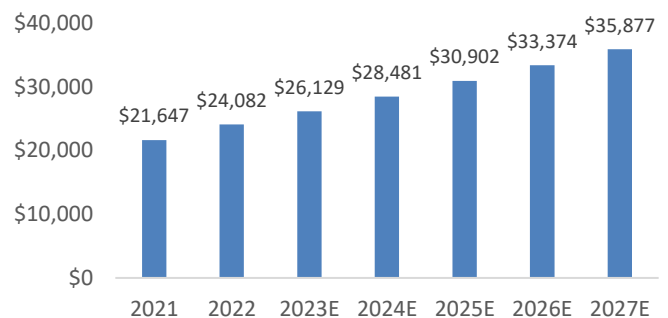
Concentrate operations generate revenue by selling concentrates, syrups, and certain finished beverages. These products are then shipped to authorized bottlers where they are finished. The concentrates are either mixed with sparkling water or still water. This segment has essentially remained the same since 2019, making up 56% of total revenues (55% in 2019)<sup>1</sup>.

We forecast that this will remain at 56% in 2023, then fall to 55% in 2024-2026 then make up 54% in the remaining forecast period. In 2023, we expect revenues to grow 7%, 7.5% in 2024, 8% in 2025, 7% in 2026, then taper off and

reach a constant growth rate of 3.5%. The Company has been seeing an increase in volume of sales as well as increased pricing power due to inflation. The increases in volume of sales is something that we expect will continue, but price increases may not. We expect this segment to generate revenues of \$40.9 billion by 2032.

As consumers continue to seek healthier alternative options to soda, demand will begin to fall. This will likely impact restaurants, entertainment venues, and other places that have fountain machines ordering syrups. With the sugar-free industry expected to grow at a CAGR of 14.7% over the next 10 years<sup>2</sup>, KO is very well positioned to take advantage of this growth. As KO continues to evolve and expand their portfolio, they will be able to replace sugar heavy offerings with juice, tea, and the like. These would be considered finished products, however.

Concentrate operations (M)



Source: HF Model

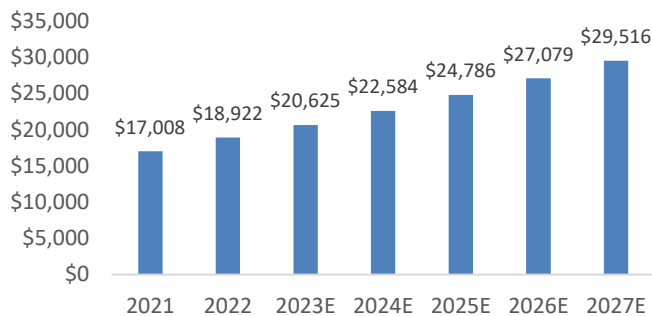
### Finished Product Operations

Finished product operations refer to revenues by selling sparkling soft drinks and a variety of other finished beverages to retailers, distributors, or wholesalers. Some big brands that would be included in this segment are Minute Maid, Simply, and fairlife. Minute Maid and Simply are two of the largest juice brands and fairlife produces dairy products. KO having a diverse portfolio like this will be critical to growth especially in a time of changing consumer preferences.

Considering KO only reports two revenue segments, the makeup has also been similar since 2019. From 2020 until 2023E, this segment made up 44% of revenue. In 2019, it made up 45% of revenues. Over the forecast period, we forecasted sales growth of 8% in 2023, 9% in 2024, 8.5% in 2025, 9.25% in 2026, 9% in 2027 before reaching a

constant growth rate of 4% for the remaining forecast period. By 2032, we expect this segment to generate revenues of \$35.0 billion. With the non-carbonated soft drink market expected to grow at a CAGR of 10%<sup>5</sup>, KO is well positioned to take advantage of this with their strong portfolio of non-carbonated drinks. There is significant overlap between sugar-free and non-carbonated beverages, so the growth might be lesser than expected.

### Finished product operations (M)



Source: HF Model

By 2027, we expect that total revenues will reach \$55.5 billion representing a CAGR of 5%. This estimate is slightly more bullish than analysts' expectations of 4.2%. We believe that strategic brand acquisitions, innovation and market dominance will lead to this higher growth. Although the CAGR's are not indicative of a growth stock, we believe KO is the best positioned soft-drink manufacturer to deliver growth like returns to shareholders.

## Cost Structure Analysis

### COGS

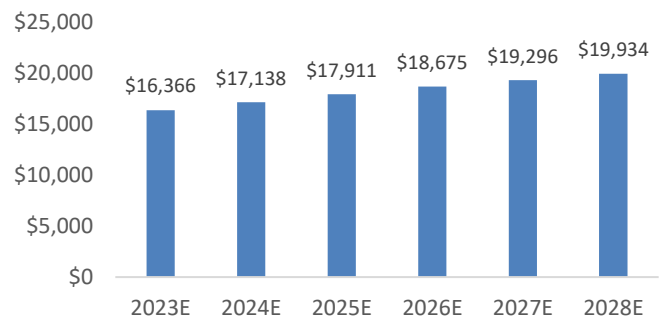
The cost of goods sold segment includes costs related to the movement of goods from manufacturing centers, hedging losses (gains), and supply chain finance programs<sup>1</sup>. Movement from both manufacturing centers to distribution and sales centers are included. Supply chain finance (SCF) is available for suppliers at their sole discretion to sell receivables owed to the Company to financial institutions. The current payment terms for suppliers are currently 120 days, but using this program

allows suppliers to use KO's credit rating and get more favorable terms.

We forecast that COGS will be 38% of sales in 2023, 37.80% in 2024, 37.65% in 2025, 37.40% in 2026 then reach a constant rate of 37.30%. If suppliers need to utilize KO's higher credit rating in a rising rate environment, it is fair to assume that these costs will rise. When the Federal Reserve eventually cuts rates and suppliers are in a better position, these costs will likely fall. We believe that AI will help KO become more efficient in movement of goods and assist with cost cutting.

As companies continue to utilize AI to determine what product mixes are optimal in each location, KO will likely be a benefactor of this. If consumers are showing preference for a certain product and not buying any of another, KO will be more apt to supply more of the preferred products, increasing sales and inventory turnover. KO could also begin to utilize more robotics in bottling, eliminating the need for human capital, further driving down costs.

### COGS '23E - '27E



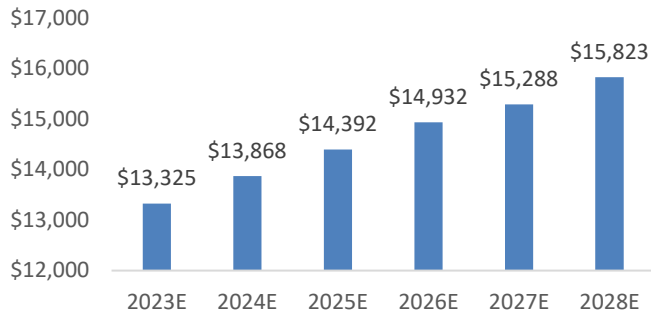
Source: HF Model

### SGA

Selling, general, and administrative expenses were made up of selling and distribution expenses, advertising expenses, stock-based compensation expense, and other operating expenses (different from other operating charges)<sup>1</sup>. We forecast that SGA expenses will be 28.5% of sales in 2023, 28.25% in 2024, 28% in 2025, 27.80% in 2026 then reach a constant rate of 27.50%. Over the next few years, distribution expenses might get more costly due to continued inflation and workers from multiple industries continuing to strike. As KO begins to utilize AI in distribution facilities, needs for expensive workers will

decrease. As ad spend recovers as the overall macro environment recovers, KO will likely increase ad spend, especially in new brands, then potentially pullback to cut costs and improve margins.

SGA '23E - '28E



Source: HF Model

## Other Operating Charges

Other operating charges in 2022 primarily consisted of corporate charges related to the acquisitions of BodyArmor and fairlife as well as charges related to the Company's productivity and reinvestment program. The historical average as a percentage of sales was 3.11% and this was grown by inflation of 3% in the forecast period.

## Additional Company Analysis

### Acquisitions

One way Coca-Cola has been growing is by acquiring various brands. In 2020, 10 years after forming a partnership, the Company acquired fairlife, a dairy producer<sup>1</sup>. Fairlife produces protein drinks, yogurt, and milk. By adding this brand to the portfolio, it addresses a large market of health-conscious consumers. Prior to the full acquisition, fairlife was in the news for a scandal on alleged mistreatment of cattle<sup>10</sup>. This has seemingly blown over, but it is something worth keeping in mind, especially with KO's great ESG initiatives. KO has been purchasing brands, rather than companies, which makes it less susceptible to the current FTC's seemingly rather strict stance on acquisitions. As KO continues to purchase emerging brands, we see this as a value add as the Company already has the infrastructure in place to ramp

up production and increase sales at a higher clip. In 2022, goodwill decreased 3% and was recorded at \$18.8 billion.

## Bottling Operations

The Company relies on independent bottlers to prepare, package, distribute and sell most branded beverage products. The Company has bottlers under contracts that give the bottlers the right to prepare, package, distribute and sell company trademarks in authorized containers. In most agreements, KO has complete flexibility to determine the price and other terms of sale of the concentrates and syrups to bottlers, subject to competitive market conditions<sup>1</sup>. These agreements also generally allow bottlers the right to bottle nonexclusively.

KO will take ownership or control of a bottling operation if it is lacking and will help it develop better systems, sales, and marketing systems, and achieve a better capital structure<sup>1</sup>. KO owning some bottlers and signing contracts with some is likely due to margin factors. Presumably, when the Company takes over a bottler, capital expenditures go into the operation and bring it up to par. Signing contracts with bottlers essentially forces the bottler to be efficient and purchase the goods they are contracted to purchase. When the Company divests their ownership, they continue to participate in the results of operations through their share of equity method earnings or losses.

When KO has a majority ownership that allows them to make significant decisions, the investment is recorded under the equity method investments on the balance sheet. These investments can pay off when these bottlers perform efficiently and are able to turn a profit. When they do not, KO records a loss on the financials.

## Innovative Drinks

In 2023, Coca-Cola came out with a new flavor, Coke Y3000. This was a unique flavor as it was one of, if not the first, soft drink that utilized artificial intelligence to craft the recipe. Although this sounds like it would generate a quality recipe, it did not receive very favorable reviews. Even if it is not the best recipe KO has made, it has made consumers talk about it and the brand, likely leading to a surge in sales. As KO continues to create unique drinks to generate buzz, consumers will likely be eager to try. Although the general consensus around the Y3000 flavor



was negative, consumers are still wanting to try due to the intrigue.

## Debt Maturity Analysis

The Company does not have a large amount of debt coming due until 2027, when the amount is \$4.5 billion. KO produces enough operating cash flow to cover these maturities. In 2022, the Company produced \$11 billion in operating cash flow, a decrease of 12.7% YoY. Depending on KO's future acquisitions, they may take on more debt to fund this, which would put more pressure on the repayments. The Company also has a historically healthy total payout ratio, but it is forecasted to decline through the forecast period. In 2022, the total payout ratio was 94.7% and it is expected to decline to 73.1% in 2027. The dividend is expected to grow at 4% a year during the forecast period. If KO becomes strapped for cash, the growth could be lower to meet demands for cash. We do not envision a need to cut the dividend, however. We forecast that buybacks will still be high but will fall by 2% each year.

### Five-Year Debt Maturity Schedule

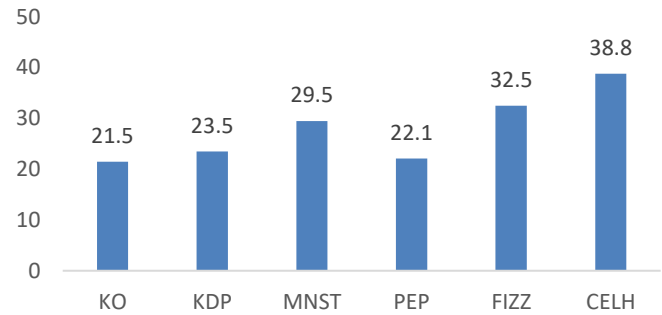
| Fiscal Year | Payment (\$mil) |
|-------------|-----------------|
| 2023        | \$399           |
| 2024        | 1,967           |
| 2025        | 1,123           |
| 2026        | 1,558           |
| 2027        | 4,494           |
| Thereafter  | 3,250           |
| Total       | \$26,832        |

Source: 10k

## ESG Analysis

Coca-Cola takes ESG initiatives seriously. The Company has a score of 21.5, which is the lowest score of their competitor set<sup>8</sup>. Their sustainability strategy is centered around people and aims to build resilience into their business strategy whilst creating positive change for the planet<sup>9</sup>. Obviously, KO produces lots of waste within their products, so they are investing in making 100% plant-based plastic bottles.

## ESG Score



Source: Sustainalytics

## RECENT DEVELOPMENTS

### Recent Earnings Announcement

Coca-Cola reported second quarter earnings on July 26<sup>th</sup> and reported a strong quarter. Organic revenues grew at a strong 11% and volume grew 2%, with improvements each month. Although operating margin fell 0.6%, net income rose 34% \$0.59. Operating margins primarily fell due to currency headwinds, a problem that could have an impact on Q3 as the dollar has shown continued strength. Although operating margin declined, comparable operating margin increased 0.9% to 31.6%. The growth in EPS was driven by increasing marketing investments and a higher operating cost last in the prior year. The Company is focusing on digital marketing rather than traditional marketing to reach younger, and more, consumers.

This is a good sign for KO as marketing investments continue to pay off and an increase in prices to battle the higher costs of the previous year are more likely to stay. Russian business suspensions hindered increases in various markets and products by making these segments even YoY. For the full year, the Company raised guidance and expects organic revenue growth of 10-11%, but also expects currency headwinds of 3-4% to lower net revenues<sup>16</sup>. The expected EPS growth was revised upwards to 7-8% compared to 2022. The Company is also confident that in 2024, commodity prices will moderate but political tensions could be an issue.

### fairlife Expansion

Coca-Cola acquired the remaining 57.5% of fairlife in 2020 for \$979 million of cash (net of cash acquired)<sup>1</sup>. The Company recorded a remeasurement gain of \$902 million

upon the full acquisition. Fairlife is a dairy company that produces milk, yogurt, and protein drinks. Since then, consumer demand has been at an all-time high for the products. Due to this demand, the Company has a desire to expand its production capabilities. KO announced plans to build a \$650 million processing plant. The plant is expected to be operational by 2025 and will be in Webster, New York (NY)<sup>17</sup>. Webster, NY was selected due to its proximity to quality dairy farmers, making it a good location for growth. This new development will not see benefits until 2025 at a minimum, but the Company should see a solid boost in revenues in the years after. If fairlife continues to expand their dairy offerings, revenues will likely see even higher growth. Growth might come with higher costs which would lead to lower margins, however.

### Long-Term Partnerships

In July 6<sup>th</sup>, 2023, Coca-Cola and U.S. Soccer agreed to a transformative long-term partnership. The partnership is expected to have a substantial impact on United States Soccer's growth as well as bringing even more brand recognition to KO. The partnership will build events in the United States that highlights domestic talent and provide more opportunities for youth. KO is expected to raise visibility by using unique and innovative digital content activations<sup>18</sup>. This partnership will provide increased visibility to KO and their brands to a younger audience, which can help form loyalty at a young age. Rather than Gatorade products, it is feasible that BodyArmor and fairlife protein drinks will be offered. Along with U.S. Soccer, Restaurant Brands International (RBI) renewed a 10-year contract with KO in four iconic restaurants, Burger King, Popeyes, Firehouse Subs, and Tim Hortons<sup>19</sup>. This contract will provide consistent revenue over the next 10 years in potentially uncertain times due to the potential impacts of Ozempic.

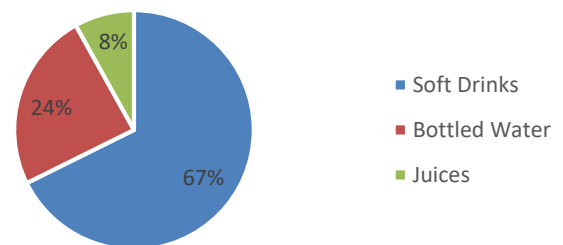
## INDUSTRY TRENDS

As America continues to face an obesity problem, consumers might start to change their preferences. Consumers have begun to start shifting to healthier drinks, such as juice drinks, soft drinks without sugar, and non-fizzy drinks. Weight loss drugs such as Wegovy are still in their infancy but have the potential to change the market.

### Sugar Free Drinks

In 2023, the global zero sugar drinks is estimated to be \$3.3 billion. Over the forecast period, this is expected to grow to a size of \$13.15 billion, a CAGR of 14.7%<sup>2</sup>. People over the world are facing higher rates of diabetes and obesity, leading to a decline in the demand for sugary drinks. Rather sugar, manufacturers replace it with one or more sweeteners, such as aspartame. KO is set up well to take advantage of this trend as they own massive brands such Diet Coke and Coke Zero Sugar. One downside of using artificial sweeteners is that they could alter the taste in a negative way that turns consumers off. KO is not the only company producing sugar free drinks. As the market continues to expand, more companies will continue to increase their offerings as well as new companies offering alternatives to soda.

Worldwide Rev. Share '21



Source: Statista

### Weight Loss Drugs

Weight loss drugs have been in the news quite a bit lately due to their potential in disrupting the snack food market, fast food restaurants, and sugary drink market. Ozempic, which is owned by Novo-Nordisk, is still relatively new and is supposed to be used for lowering blood sugar<sup>3</sup>. Although the main purpose is to lower blood sugar, it has been shown to help weight loss by producing the hormone that tells brain the consumer is full. Wegovy also owned by Novo-Nordisk, does the same, but contains more of the active ingredient, semaglutide.

Eli Lilly's tirzepatide has also demonstrated significant and superior weight loss compared to placebos<sup>3</sup>. Patients taking the drug lost 26% of mean body weight loss over the 88-week study period. The drug acts in a similar manner to

Ozempic and Wegovy and makes patients less likely to overeat and helps eliminate cravings.

With the introduction of these drugs potentially reducing cravings and the desire to eat out, KO could be impacted in retail markets as well as in restaurants. As people eat out less, there will be less soda intake which could lead to lower demand from restaurants for the syrups. The same goes for retail soda sales. Coca Cola has a wide portfolio of brands that could likely offset some weaknesses, but the soda brands are their biggest sellers. The acquisition and planned expansion of fairlife can help offset a weaker demand for unhealthy drinks. Fairlife produces Greek yogurt and protein drinks, if consumers trade in unhealthy food for these healthier dairy products, KO will likely be a beneficiary.

## Non-Carbonated Drinks

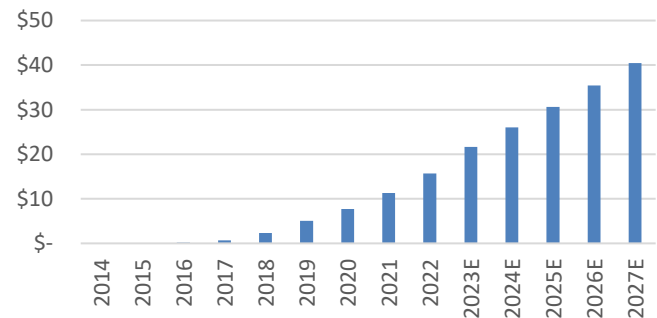
Consumer preference for non-carbonated drinks can be due to the preference for a non-fizzy drink or the desire for healthier drinks. Non-carbonated drinks include ready to drink coffee, lemonade, tea, or other healthier options. This market is expected to grow at a rate similar to sugar-free drinks, which makes sense as there is significant overlap between the two<sup>5</sup>. KO also operates brands that are non-carbonated, so they will likely be able to weather slowdowns in sugary drinks or carbonated drinks. As the Company continues to make acquisitions or develop drinks to cater to consumers, they will continue to benefit from a vast portfolio.

## Hard Drink Market

Hard seltzers and other variations of alcohol drinks have gained momentum over the past few years. KO manufactures a few products in this segment, Simply Spiked, Topo Chico, and a collaboration with Jack Daniels. There is significant competition in this market, however. In 2021, White Claw dominated the seltzer market with \$1.9 billion in sales<sup>12</sup>. The hard seltzer market is expected to grow at a CAGR of 19.8% from 2023-2027 to reach sales of \$40 billion<sup>13</sup>. Simply Spiked and the Jack and Coke drink might not exactly be classified as seltzers, but they still compete very heavily with them. Topo Chico is classified as a seltzer, however. The brand likely will not take massive amounts of sales from White Claw, but if it is able to continue to rise in popularity and be profitable, it will be worthwhile for KO to continue to produce. The Company has not given specific guidance on whether they will

aggressively pursue the fast-growing seltzer market. However, Coke and Sprite are popular “mixers” with alcohol, so more canned drink partnerships such as with Jack Daniels could be an attractive route to reach more consumers and a different target market.

Hard Seltzer Sales (b)

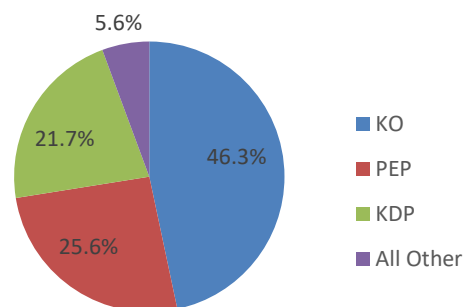


Source: Statista

## MARKETS AND COMPETITION

The soft drink market is a very competitive market with three major players holding a large market share. In 2021, KO had a 46% market share in the carbonated soft drink (CSD) market<sup>11</sup>. This was up by about 6% from 2004, showing how strong Coca-Cola is. Pepsi had the next highest market share at 25.6% with Keurig Dr. Pepper coming in third with 21.7% of the market. As KO continues to make acquisitions and innovate new drinks, we expect this market share to continue to stay high.

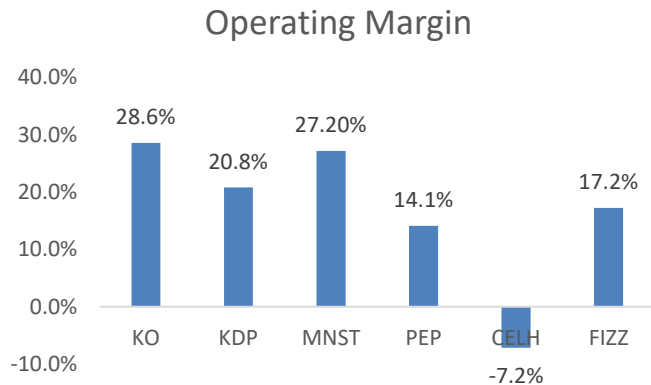
2021 Market Share of CSD



Source: Statista

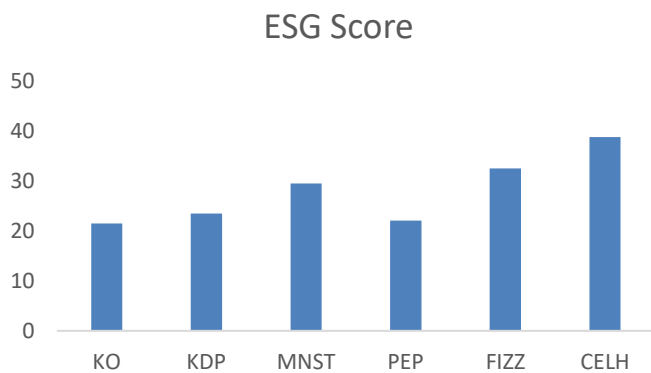
## Peer Comparisons

When comparing operating margins in 2022, KO was by far the leader with a reading of 28.6%. Pepsi, who is Coke's biggest competitor, had less than half the margin of KO. This is likely due to PEP operating in the snack industry as well as beverage market. We expect that KO will continue their dominance and continue to outperform competitors.



Source: 10k's

When it comes to ESG considerations, KO has the lowest score, which means the lowest risk. The Company has a lot of green initiatives that aim to reduce emissions and waste. Recycling packaging could help KO reduce costs as they will not have to produce more, but this depends on consumers recycling the products the right way. We did not incorporate this score into the model.

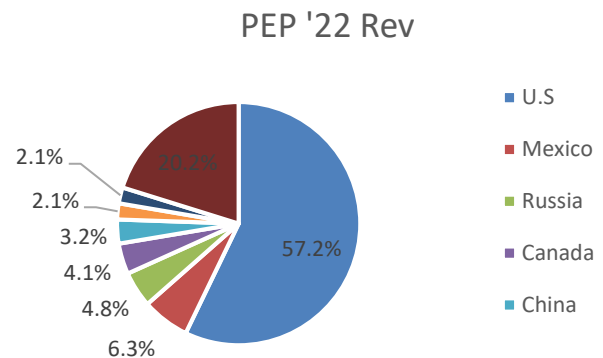


Source: Sustainalytics

## PEP

PepsiCo is arguably KO's biggest competitor and operates brands such as Pepsi, Gatorade, and Tropicana. PEP also operates Lays and Quaker Oats, but this is not a major

threat to KO. In 2022, PEP sold Tropicana, Naked, and other juices to PAI Partners, but retained a 39% stake. Similar to Coca-Cola, PepsiCo sells concentrates as well as finished goods. Even though KO holds 20% more market share over PEP, they compete in every category and KO could lose market share if they decide to divest any brands. PEP also sells goods under Quaker Oats and Frito-Lay including chips, cereal, and granola bars. This is something that KO does not currently operate in, and we do not envision them attempting to enter. In 2022, PEP had the lowest operating margin of the peer set coming in at 14.1%. This could also be due to operating in the food market, which is notorious for low margins. PEP also derives around 43% of revenue from outside of the United States, which is less than KO and can eliminate currency risk that KO faces.



Source: PEP 10k

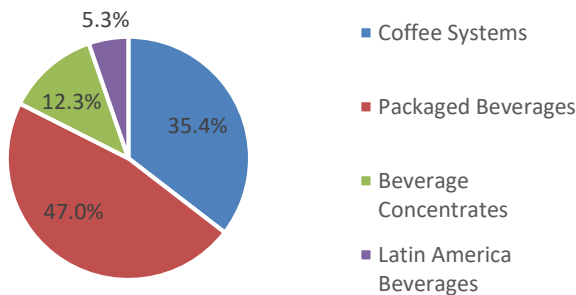
## KDP

Keurig Dr. Pepper operates big brands such as Dr. Pepper, 7UP, Canada Dry, and have a large presence in the coffee market. Keurig machines are machines that take ground coffee pods and brew coffee. There are many different variations of these machines that range in price and capabilities. Like PEP and KO, KDP operates in the tea, juice, and soft drink markets. Unlike PEP and KO, KDP has four reportable segments, coffee systems, packaged beverages, beverage concentrates, and Latin America Beverages. In 2022, coffee systems made up 35% of total revenues with the largest segment being packaged

beverages making up 47%. This led to an operating margin of 20.8%<sup>15</sup>.

internationally, so they are also exposed to currency headwinds.

KDP '22 Rev

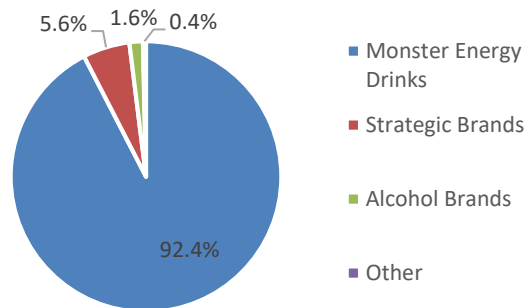


Source: KDP 10k

## MNST

Monster Beverage Corporation primarily manufactures energy drinks, with the most notable being Monster, Reign and NOS. MNST also sells craft beers, seltzers, and other malt beverages. The Company has four reportable segments, Monster energy drinks, strategic brands, alcohol brands, and other. The strategic brands include brands that were acquired from KO, which includes NOS. This segment only made up \$353 million, or about 6% of total revenues, indicating that KO is not missing out on much revenue from divesting these brands. KO and MNST do still have a strategic partnership in place, and KO still benefits from the brands. In 2022, MNST had operating margins of 27.2%, the second highest of the peer set. Due to KO still having a partnership with MNST and not overlapping too much, we do not view MNST as a major competitor. The Company derives 92% of revenues from Monster drinks, posing significant risk. MNST also operates

MNST '22 Rev



Source: MNST 10k

## CELH

Celsius Holdings is a company that manufactures energy drinks and liquid supplements. CELH core products include pre and post workout functional energy drinks and protein bars. The Company is unique in the sense that the energy drinks produced have been clinically proven to have health benefits. In 2022, the Company did not turn a profit and reported net losses of \$187 million. As well as losses, CELH has a high concentration of revenue, with the top three customers making up 42.7% of revenue<sup>20</sup>. We do not envision CELH being a major competitor of KO, especially with Pepsi being the largest customer. KO might be a customer, but it is less than 10%, so it is not reported.

## FIZZ

National Beverage Corporation directly competes with KO in the juice, sparkling water, and the carbonated water segment. FIZZ manufactures well-known brands such as La Croix and Faygo. La Croix is arguably the most well-known brand that the Company operates in and a market that KO is phasing out, likely due to the dominance of La Croix. The brands that FIZZ manufactures pale in comparison to the dominant brands that KO manufactures. In 2022, FIZZ had operating margins of about 17%. We do not view FIZZ as a

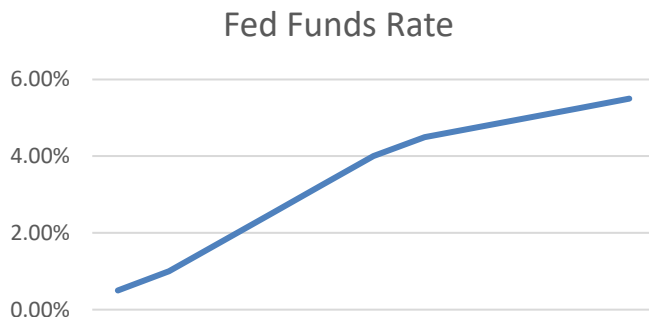


major competitor due to the lack of brand dominance outside of the sparkling water category.

## ECONOMIC OUTLOOK

### Rising Rates

The Federal Reserve has been aggressively raising the Federal Funds rate since March 2022 to combat persistent inflation and to cool the economy. Inflation has come down since its 9% peak, but the economy has still been hot. The Fed has hinted at higher rates for longer multiple times, which has led to much uncertainty when rate cuts will occur and how long longer is. After a decade of free money, higher rates could be beneficial in the long run as asset prices could have been inflated over the past decade due to lower discount rates. Higher rates lead to higher borrowing costs and forces companies to spend capital wiser than in a “free” money environment. This could hinder KO and plans to expand operations in the United States as well as outside of the country. As well as limiting expansions, higher borrowing costs might make KO more conservative in brand acquisition. The Company does have a sizable cash position, however.



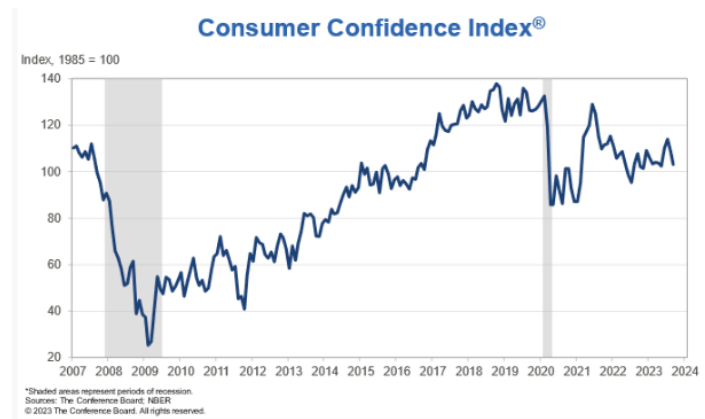
### Personal Consumption Expenditures

The Personal Consumption Expenditures (PCE) index is the Federal Reserve's preferred gauge of inflation and how they make rate decisions. In August, the PCE rose 3.5% compared to a year ago, which is still well above the target rate of 2%. The index increased 0.4% MoM, with the biggest increase in energy prices being 6.1%. Food and beverage purchased for off-premises consumption increased at a lesser rate of 0.2%<sup>6</sup>, which shows some promise for KO products impact on consumers. As the PCE remains elevated, consumers might begin to pull back

purchases on items like soda, expensive juice, and similar products. If this were to happen, KO could be negatively impacted, but their diverse portfolio might be able to withstand softening in certain areas.

### Consumer Confidence Index

The Consumer Confidence Index (CCI) rose in both June and July but fell in August. Although the index rose in July, it was downwardly revised to 114. In August, the index fell to a reading of 106.1. Interestingly, confidence of consumers with household incomes above \$50,000 fell the most notably, compared to households above \$100,000 in August. Responses showed that the increases in gasoline and grocery prices were on the top of consumers' minds. September also faced a decline, marking two consecutive months of decline. The reading in September came in at 103, once again being downwardly revised. With the recent surge in gas prices and grocery prices staying elevated, it is a fair assumption that the index will continue to fall<sup>7</sup>. Similar to the PCE being elevated, consumers might continue to pull back on discretionary and unhealthy choices such as soda.



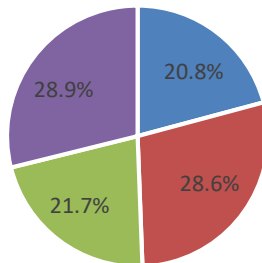
Source: Conference Board

### Unemployment

September's unemployment figure was reported on October 6, and was unchanged at 3.8%. Total nonfarm payroll employment rose by 336,000 with the largest gains in leisure and hospitality, government, and private education and health services<sup>21</sup>. These sectors made up 71% of the total jobs added. This was an interesting jobs report, it appears strong, but a vast majority were in those sectors. The strong increase in leisure and hospitality could indicate that these businesses are expecting a strong fourth quarter as consumers are still not feeling the full

impact of higher for longer. In the fourth quarter, this likely bodes well for KO. As consumers are still traveling and demanding soft drinks, the vendors will continue to order them from the Company.

### Sept. Jobs Added Breakdown



■ Priv. Edu. and Health Svcs. ■ Leis. and Hosp. ■ Gvt ■ Other

Source: BLS

## VALUATION

### WACC

The weighted average cost of capital (WACC) was found to be 6.89%. The assumptions used were an equity weight of roughly 87% and a debt weight of 13%. The risk-free rate used was 4.73%, the yield off the 10-year treasury. The beta was found to be 0.55, the 5-year monthly average. The equity risk premium was 5%, the agreed upon rate by the Henry Fund team. The cost of equity was then found to be 7.48%. The pretax cost of debt used was 3.87%, the yield-to-maturity on a bond maturing in 12 years. Using these assumptions, the WACC used to discount the cash flows back to present day was 6.89%.

### DCF/EP

The discounted cash flow (DCF) method produced a price of \$62.98. The value of the operating assets was found to be \$282,372. The following adjustments were made to find the value of equity, ESOP, long-term debt (LTD), current portion of LTD, PV of operating leases, non-controlling interest, short-term investments, marketable securities, and equity method investments. Upon making these adjustments, the value of equity was found to be \$262,368. After dividing by shares outstanding and

adjusting for the implied price as of today, we arrived at a price of \$62.98.

The economic profit (EP) model also produced a price of \$62.98 and followed a similar process. The present value of the EP was found to be \$268,278 and the invested capital from 2022 was \$14,094, leading to a value of \$282,372. The same adjustments were made as in the DCF, leading to a price of \$62.98.

We expect KO to continue driving sales as well as producing solid cash flows, leading to a high emphasis on the DCF model. As the Company continues to cut costs and sees sales volumes rise, we see more upside for free cash flow to be generated. The soft-drink market is a very stable market and KO is a cash cow and we do not envision any company taking significant market share away from the Company. As a result, we placed a high emphasis on the DCF/EP price.

### DDM

The dividend discount model (DDM) produced a price of \$61.46. We place a fair amount of weight on the DDM because KO is well-known for having a solid and consistent dividend for investors. We forecasted that KO would grow dividends by 4% yearly, a moderate yet not overly aggressive growth rate. The CV return on equity was calculated to be 43.24% and the CV growth of EPS used was 3.0%. KO providing a stable, growing dividend to investors is the main reason we put a lot of weight into this model and believe \$61.46 is a fair price.

### Relative Valuation

The peer set used for the relative valuation was the same peer set used previously, but also included InBev. InBev was included in the peer set because they produce alcoholic beverages, an industry that KO is attempting to break into. In the peer set, CELH was excluded in the average P/E for 2023 and 2024 due to being an outlier and having negative EPS in 2023. After making this adjustment, the average P/E of the peer set was 25.4 in 2023 and 22.1 in 2024. When multiplying this by KO's EPS, we arrived at a relative price of \$65.64 in 2023 and \$61.51 in 2024.

We also looked at the P/S ratio for a relative multiple. We did not make any adjustments for the average in this ratio. On a P/S basis, KO appears overpriced. The average of the peer set was 3.57 and KO's ratio is 5.2. This led to a price

of \$47.98, indicating that KO might be overpriced on a P/S basis. This could also be due to other companies not having the same growth potential as KO does.

## KEYS TO MONITOR

All in all, we believe that KO is one of the best positioned soft-drink manufacturers and will continue to be. As the Company continues to innovate and maintain market dominance, they will continue to grow. US consumers might face weakness, but with KO having operations all over the world, the Company will be able to weather a slowdown in the United States. A strong, reliable dividend is yet another reason why we believe KO will continue to appreciate in price and deliver returns.

## Tailwinds

- Coca-Cola has immense strength in the soft drink market, which we envision will continue. Even if consumers begin to consume less soda, the Company's vast portfolio of brands will be able to weather the softness better than competitors.
- As consumer preferences continue to change, KO will continue to adapt their current offerings or make strategic value-adding acquisitions. With the strong infrastructure already in place, brand acquisitions will likely continue to be a great way for the Company to increase sales.
- KO has a strong history of paying dividends and growing dividends. This was evidenced in 2020 when the Company did not cut the dividend despite experiencing a sharp drop in net income.

## Headwinds

- Weight-loss drugs have been in the financial news frequently and caused a sell-off in names such as McDonald's, Kellanova, and Coca-Cola. Perhaps this was an exaggerated sell-off, but the impact of the drug must be watched.
- Coca-Cola generates 46% of revenues from the United States. If the dollar remains strong, the Company might continue to face currency headwinds.
- If the current FTC continues to be strict on mergers and acquisitions, KO might be hesitant to acquire brands or companies. Considering that KO has 46% market share, there would likely be high levels of scrutiny on acquisitions.

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### Coca Cola

#### Revenue Decomposition

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**Coca Cola**  
Value Driver Estimation

| <b>Fiscal Years Ending Dec. 31</b>        | <b>2020</b>   | <b>2021</b>   | <b>2022</b>   | <b>2023E</b>  | <b>2024E</b>  | <b>2025E</b>  | <b>2026E</b>  | <b>2027E</b>  | <b>2028E</b>  |
|-------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>NOPLAT:</b>                            | 7072          | 8619          | 8501          | 10865         | 11449         | 11964         | 12489         | 12905         | 13303         |
| Add: Net Operating Revenues               | 33014         | 38655         | 43004         | 46754         | 49092         | 51399         | 53712         | 55592         | 57538         |
| Less: Cost of Sales                       | 11897         | 13905         | 16740         | 16366         | 17138         | 17911         | 18675         | 19296         | 19934         |
| Less: SGA                                 | 9731          | 12144         | 12880         | 13325         | 13868         | 14392         | 14932         | 15288         | 15823         |
| Less: Other Operating Charges             | 853           | 846           | 1215          | 1454          | 1573          | 1696          | 1825          | 1946          | 2074          |
| Less: Depreciation and amortization       | 1536          | 1452          | 1260          | 1490          | 1484          | 1498          | 1512          | 1540          | 1588          |
| Add: Implied Lease Interest               | 70            | 81            | 74            | 56            | 55            | 54            | 53            | 52            | 51            |
| <b>Total EBIT</b>                         | <b>9067</b>   | <b>10389</b>  | <b>10983</b>  | <b>14175</b>  | <b>15084</b>  | <b>15957</b>  | <b>16821</b>  | <b>17575</b>  | <b>18170</b>  |
| Adjusted Taxes                            |               |               |               |               |               |               |               |               |               |
| Income Tax Provision                      | 1981          | 2621          | 2115          | 3158          | 3390          | 3621          | 3841          | 4057          | 4243          |
| Add: Implied Lease Interest               | 15            | 18            | 16            | 12            | 12            | 12            | 12            | 11            | 11            |
| Add: Tax on Interest Income               | 81            | 61            | 99            | 110           | 110           | 163           | 181           | 230           | 306           |
| Add: Tax on Equity Income                 | 215           | 316           | 324           | 338           | 354           | 370           | 386           | 404           | 422           |
| Less: Tax on Interest Expense             | 316           | 351           | 194           | 417           | 394           | 422           | 424           | 441           | 485           |
| <b>Total Adjusted Taxes</b>               | <b>1977</b>   | <b>2665</b>   | <b>2360</b>   | <b>3202</b>   | <b>3471</b>   | <b>3743</b>   | <b>3996</b>   | <b>4261</b>   | <b>4497</b>   |
| Change in Deferred Taxes                  | -18           | 894           | -122          | -108          | -164          | -250          | -336          | -408          | -370          |
| <b>Invested Capital (IC):</b>             | <b>16429</b>  | <b>14033</b>  | <b>14094</b>  | <b>15096</b>  | <b>15794</b>  | <b>16613</b>  | <b>17388</b>  | <b>17936</b>  | <b>18741</b>  |
| <b>Operating Current Assets:</b>          |               |               |               |               |               |               |               |               |               |
| Normal Cash                               | 5600          | 6556          | 7294          | 7930          | 8327          | 8718          | 9110          | 9429          | 9759          |
| Accounts Receivable                       | 3144          | 3512          | 3487          | 4091          | 4345          | 4626          | 4700          | 4781          | 4747          |
| Inventories                               | 3266          | 3414          | 4233          | 4021          | 4222          | 4420          | 4619          | 4781          | 4948          |
| Prepaid expenses & other current asse     | 1916          | 2994          | 3240          | 3039          | 3240          | 3469          | 3679          | 3891          | 3740          |
| <b>Total Operating CA</b>                 | <b>13926</b>  | <b>16476</b>  | <b>18254</b>  | <b>19081</b>  | <b>20133</b>  | <b>21234</b>  | <b>22109</b>  | <b>22882</b>  | <b>23194</b>  |
| <b>Operating Current Liabilities:</b>     |               |               |               |               |               |               |               |               |               |
| Accounts payable                          | 3517          | 4602          | 5307          | 5610          | 5768          | 5911          | 6043          | 6115          | 5754          |
| Accrued marketing expenses                | 1930          | 2830          | 2778          | 3016          | 3068          | 3084          | 2954          | 3058          | 2877          |
| Other accrued expenses                    | 3352          | 5018          | 5643          | 5143          | 5400          | 5654          | 5908          | 6115          | 6329          |
| Variable considerations                   | 1137          | 1118          | 934           | 935           | 982           | 1028          | 1074          | 1112          | 1151          |
| Accrued compensation                      | 609           | 1051          | 1087          | 1099          | 1154          | 1208          | 1262          | 1306          | 1352          |
| <b>Total Operating CL</b>                 | <b>10545</b>  | <b>14619</b>  | <b>15749</b>  | <b>15803</b>  | <b>16372</b>  | <b>16885</b>  | <b>17242</b>  | <b>17706</b>  | <b>17463</b>  |
| <b>Net Working Capital</b>                | <b>3381</b>   | <b>1857</b>   | <b>2505</b>   | <b>3278</b>   | <b>3761</b>   | <b>4349</b>   | <b>4867</b>   | <b>5176</b>   | <b>5731</b>   |
| <b>Net PPE</b>                            | <b>10777</b>  | <b>9920</b>   | <b>9841</b>   | <b>9969</b>   | <b>10124</b>  | <b>10305</b>  | <b>10508</b>  | <b>10733</b>  | <b>10977</b>  |
| Net Other Operating Assets                |               |               |               |               |               |               |               |               |               |
| Operating Lease Assets                    | 1622          | 1471          | 1113          | 1099          | 1082          | 1063          | 1042          | 1021          | 998           |
| Intangible Assets                         | 649           | 785           | 635           | 750           | 827           | 897           | 971           | 1006          | 1034          |
| <b>Total Net Other Operating Assets</b>   | <b>2271</b>   | <b>2256</b>   | <b>1748</b>   | <b>1849</b>   | <b>1908</b>   | <b>1960</b>   | <b>2014</b>   | <b>2027</b>   | <b>2032</b>   |
| <b>Free Cash Flow (FCF):</b>              |               |               |               |               |               |               |               |               |               |
| NOPLAT                                    | 7072          | 8619          | 8501          | 10865         | 11449         | 11964         | 12489         | 12905         | 13303         |
| Change in IC                              | -1266         | -2395         | 61            | 1002          | 698           | 820           | 775           | 547           | 805           |
| <b>FCF</b>                                | <b>8338</b>   | <b>11014</b>  | <b>8440</b>   | <b>9864</b>   | <b>10751</b>  | <b>11144</b>  | <b>11714</b>  | <b>12358</b>  | <b>12498</b>  |
| <b>Return on Invested Capital (ROIC):</b> |               |               |               |               |               |               |               |               |               |
| NOPLAT                                    | 7072          | 8619          | 8501          | 10865         | 11449         | 11964         | 12489         | 12905         | 13303         |
| Beginning IC                              | 17695         | 16429         | 14033         | 14094         | 15096         | 15794         | 16613         | 17388         | 17936         |
| <b>ROIC</b>                               | <b>39.97%</b> | <b>52.46%</b> | <b>60.58%</b> | <b>77.09%</b> | <b>75.84%</b> | <b>75.75%</b> | <b>75.17%</b> | <b>74.22%</b> | <b>74.17%</b> |
| <b>Economic Profit (EP):</b>              |               |               |               |               |               |               |               |               |               |
| Beginning IC                              | 17695         | 16429         | 14033         | 14094         | 15096         | 15794         | 16613         | 17388         | 17936         |
| x (ROIC - WACC)                           | 33.08%        | 45.57%        | 53.69%        | 70.21%        | 68.95%        | 68.86%        | 68.29%        | 67.33%        | 67.28%        |
| <b>EP</b>                                 | <b>5853</b>   | <b>7487</b>   | <b>7534</b>   | <b>9895</b>   | <b>10409</b>  | <b>10876</b>  | <b>11345</b>  | <b>11708</b>  | <b>12067</b>  |



| 2029E        | 2030E        | 2031E        | 2032E        |
|--------------|--------------|--------------|--------------|
| 13953        | 14338        | 14700        | 15057        |
| 59551        | 61636        | 63793        | 66026        |
| 20650        | 21390        | 22155        | 22946        |
| 16377        | 16950        | 17543        | 18157        |
| 2211         | 2358         | 2513         | 2679         |
| 1617         | 1652         | 1691         | 1734         |
| 50           | 49           | 48           | 46           |
| <b>18746</b> | <b>19335</b> | <b>19938</b> | <b>20556</b> |

|              |              |              |              |
|--------------|--------------|--------------|--------------|
| 4422         | 4609         | 4803         | 5004         |
| 11           | 11           | 10           | 10           |
| 350          | 399          | 452          | 508          |
| 441          | 461          | 481          | 503          |
| 494          | 505          | 518          | 531          |
| <b>4730</b>  | <b>4974</b>  | <b>5228</b>  | <b>5494</b>  |
| <b>-64</b>   | <b>-23</b>   | <b>-10</b>   | <b>-5</b>    |
| 19221        | 19724        | 20252        | 20804        |
| 10101        | 10454        | 10820        | 11199        |
| 4913         | 5085         | 5263         | 5447         |
| 5121         | 5301         | 5486         | 5678         |
| 3871         | 4006         | 4147         | 4292         |
| <b>24006</b> | <b>24846</b> | <b>25716</b> | <b>26616</b> |

|              |              |              |              |
|--------------|--------------|--------------|--------------|
| 5955         | 6164         | 6379         | 6603         |
| 2978         | 3082         | 3190         | 3301         |
| 6551         | 6780         | 7017         | 7263         |
| 1191         | 1233         | 1276         | 1321         |
| 1399         | 1448         | 1499         | 1552         |
| <b>18074</b> | <b>18706</b> | <b>19361</b> | <b>20039</b> |
| <b>5932</b>  | <b>6140</b>  | <b>6355</b>  | <b>6577</b>  |
| <b>11239</b> | <b>11519</b> | <b>11816</b> | <b>12128</b> |
| 975          | 951          | 927          | 903          |
| 1075         | 1114         | 1155         | 1195         |
| <b>2049</b>  | <b>2065</b>  | <b>2082</b>  | <b>2098</b>  |

|              |              |              |              |
|--------------|--------------|--------------|--------------|
| 13953        | 14338        | 14700        | 15057        |
| 480          | 504          | 528          | 552          |
| <b>13473</b> | <b>13835</b> | <b>14172</b> | <b>14505</b> |

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 13953         | 14338         | 14700         | 15057         |
| 18741         | 19221         | 19724         | 20252         |
| <b>74.45%</b> | <b>74.60%</b> | <b>74.53%</b> | <b>74.35%</b> |

|              |              |              |              |
|--------------|--------------|--------------|--------------|
| 18741        | 19221        | 19724        | 20252        |
| 67.57%       | 67.71%       | 67.64%       | 67.46%       |
| <b>12662</b> | <b>13014</b> | <b>13341</b> | <b>13662</b> |

**Coca Cola**  
Balance Sheet

| Fiscal Years Ending Dec. 31           | 2020   | 2021   | 2022   | 2023E  | 2024E  | 2025E  | 2026E  | 2027E  | 2028E  | 2029E  | 2030E  | 2031E  | 2032E  |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cash & cash equivalents               | 6795   | 9684   | 9519   | 9434   | 14452  | 16130  | 20780  | 28067  | 32187  | 36900  | 41895  | 47208  | 52858  |
| Short-term investments                | 1771   | 1242   | 1043   | 1100   | 1161   | 1224   | 1292   | 1363   | 1437   | 1516   | 1599   | 1687   | 1780   |
| Marketable securities                 | 2348   | 1699   | 1069   | 1120   | 1173   | 1228   | 1286   | 1347   | 1411   | 1477   | 1547   | 1620   | 1697   |
| Trade accounts receivable             | 3144   | 3512   | 3487   | 4091   | 4345   | 4626   | 4700   | 4781   | 4747   | 4913   | 5085   | 5263   | 5447   |
| Inventories                           | 3266   | 3414   | 4233   | 4021   | 4222   | 4420   | 4619   | 4781   | 4948   | 5121   | 5301   | 5486   | 5678   |
| Prepaid expenses & other current a:   | 1916   | 2994   | 3240   | 3039   | 3240   | 3469   | 3679   | 3891   | 3740   | 3871   | 4006   | 4147   | 4292   |
| Total current assets                  | 19240  | 22545  | 22591  | 22805  | 28592  | 31098  | 36356  | 44230  | 48470  | 53798  | 59433  | 65412  | 71752  |
| Equity method investments             | 19273  | 17598  | 18264  | 19086  | 19945  | 20842  | 21780  | 22760  | 23784  | 24855  | 25973  | 27142  | 28363  |
| Other investments                     | 812    | 818    | 501    | 516    | 532    | 547    | 564    | 581    | 598    | 616    | 635    | 654    | 673    |
| Other noncurrent assets               | 4562   | 5260   | 5076   | 5143   | 5400   | 5654   | 5908   | 6115   | 6329   | 6551   | 6780   | 7017   | 7263   |
| Operating Lease Assets                | 1622   | 1471   | 1113   | 1099   | 1082   | 1063   | 1042   | 1021   | 998    | 975    | 951    | 927    | 903    |
| Deferred income tax assets            | 2460   | 2129   | 1746   | 1638   | 1474   | 1224   | 887    | 479    | 109    | 46     | 23     | 13     | 7      |
| Property, plant & equipment - cost    | 19700  | 18862  | 19075  | 20604  | 22178  | 23800  | 25470  | 27190  | 28962  | 30787  | 32667  | 34603  | 36598  |
| Less: accumulated depreciation        | 8923   | 8942   | 9234   | 10635  | 12054  | 13495  | 14962  | 16458  | 17985  | 19548  | 21148  | 22788  | 24469  |
| Property, plant & equipment - net     | 10777  | 9920   | 9841   | 9969   | 10124  | 10305  | 10508  | 10733  | 10977  | 11239  | 11519  | 11816  | 12128  |
| Trademarks with indefinite lives      | 10395  | 14465  | 14214  | 14170  | 14137  | 14109  | 14086  | 14064  | 14034  | 14007  | 13981  | 13955  | 13929  |
| Goodwill                              | 17506  | 19363  | 18782  | 18782  | 18782  | 18782  | 18782  | 18782  | 18782  | 18782  | 18782  | 18782  | 18782  |
| Other intangible assets               | 649    | 785    | 635    | 750    | 827    | 897    | 971    | 1006   | 1034   | 1075   | 1114   | 1155   | 1195   |
| Total assets                          | 87296  | 94354  | 92763  | 93957  | 100894 | 104520 | 110885 | 119770 | 125116 | 131943 | 139191 | 146872 | 154997 |
| Accounts payable                      | 3517   | 4602   | 5307   | 5610   | 5768   | 5911   | 6043   | 6115   | 5754   | 5955   | 6164   | 6379   | 6603   |
| Accrued marketing expenses            | 1930   | 2830   | 2778   | 3016   | 3068   | 3084   | 2954   | 3058   | 2877   | 2978   | 3082   | 3190   | 3301   |
| Variable consideration payable        | 1137   | 1118   | 934    | 935    | 982    | 1028   | 1074   | 1112   | 1151   | 1191   | 1233   | 1276   | 1321   |
| Other accrued expenses                | 3352   | 5018   | 5643   | 5143   | 5400   | 5654   | 5908   | 6115   | 6329   | 6551   | 6780   | 7017   | 7263   |
| Accrued compensation                  | 609    | 1051   | 1087   | 1099   | 1154   | 1208   | 1262   | 1306   | 1352   | 1399   | 1448   | 1499   | 1552   |
| Loans & notes payable                 | 2183   | 3307   | 2373   | 2082   | 2127   | 754    | 779    | 803    | 801    | 826    | 852    | 878    | 906    |
| Current maturities of long-term debt  | 485    | 1338   | 399    | 399    | 1967   | 1123   | 1558   | 4494   | 4472   | 4472   | 4472   | 4472   | 4472   |
| Accrued income taxes                  | 788    | 686    | 1203   | 764    | 821    | 877    | 930    | 982    | 1027   | 1071   | 1116   | 1163   | 1211   |
| Total current liabilities             | 14601  | 19950  | 19724  | 19049  | 21286  | 19638  | 20509  | 23986  | 23763  | 24442  | 25146  | 25874  | 26628  |
| Operating Lease Liabilities           | 1300   | 1161   | 1113   | 1099   | 1082   | 1063   | 1042   | 1021   | 998    | 975    | 951    | 927    | 903    |
| Long-term debt                        | 40125  | 38116  | 36377  | 34356  | 35339  | 36381  | 37459  | 38531  | 39394  | 40505  | 41667  | 42883  | 44153  |
| Other noncurrent liabilities          | 8153   | 7446   | 6809   | 8883   | 9327   | 9766   | 10205  | 10562  | 10932  | 11315  | 11711  | 12121  | 12545  |
| Deferred income tax liabilities       | 1833   | 2821   | 2914   | 2104   | 2209   | 2313   | 2417   | 2502   | 2589   | 2680   | 2774   | 2871   | 2971   |
| Long-term Liabilities                 | 51411  | 49544  | 47213  | 46442  | 47958  | 49523  | 51124  | 52616  | 53913  | 55474  | 57103  | 58802  | 60572  |
| Common Equity                         | 19361  | 19876  | 20582  | 21335  | 22087  | 22840  | 23292  | 23292  | 23292  | 23292  | 23292  | 23292  | 23292  |
| Common stock                          | 1760   | 1760   | 1760   | 2513   | 3265   | 4018   | 4470   | 4470   | 4470   | 4470   | 4470   | 4470   | 4470   |
| Capital surplus                       | 17601  | 18116  | 18822  |        |        |        |        |        |        |        |        |        |        |
| Reinvested earnings                   | 66555  | 69094  | 71019  | 74306  | 78112  | 82418  | 87185  | 92404  | 97952  | 103793 | 109942 | 116405 | 123194 |
| Accumulated other comprehensive i     | -14601 | -14330 | -14895 | -14895 | -14895 | -14895 | -14895 | -14895 | -14895 | -14895 | -14895 | -14895 | -14895 |
| Treasury stock                        | -52016 | -51641 | -52601 | -53973 | -55318 | -56635 | -57927 | -59192 | -60432 | -61648 | -62839 | -64006 | -65150 |
| Equity attributable to shareowners o  | 19299  | 22999  | 24105  | 26773  | 29987  | 33728  | 37656  | 41608  | 45916  | 50543  | 55500  | 60796  | 66441  |
| Equity attributable to noncontrolling | 1985   | 1861   | 1721   | 1693   | 1663   | 1631   | 1597   | 1561   | 1523   | 1484   | 1443   | 1401   | 1356   |
| Total equity                          | 21284  | 24860  | 25826  | 28466  | 31650  | 35359  | 39253  | 43169  | 47439  | 52027  | 56943  | 62197  | 67797  |

## Coca Cola

## Income Statement

| Fiscal Years Ending Dec. 31             | 2016   | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|-----------------------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net operating revenues                  | 41863  | 35410 | 31856 | 37266 | 33014 | 38655 | 43004 | 46754 | 49092 | 51399 | 53712 | 55592 | 57538 | 59551 | 61636 | 63793 | 66026 |
| Depreciation & Amortization             | 1787   | 1260  | 1086  | 1365  | 1536  | 1452  | 1260  | 1401  | 1419  | 1441  | 1467  | 1496  | 1528  | 1563  | 1600  | 1640  | 1682  |
| Cost of goods sold                      | 14678  | 11996 | 10684 | 13254 | 11897 | 13905 | 16740 | 16366 | 17138 | 17911 | 18675 | 19296 | 19934 | 20650 | 21390 | 22155 | 22946 |
| Gross profit                            | 25398  | 22154 | 20086 | 22647 | 19581 | 23298 | 25004 | 28987 | 30535 | 32047 | 33570 | 34800 | 36076 | 37339 | 38646 | 39998 | 41398 |
| Selling, general & administrative exp   | 15262  | 12496 | 10307 | 12103 | 9731  | 12144 | 12880 | 13325 | 13868 | 14392 | 14932 | 15288 | 15823 | 16377 | 16950 | 17543 | 18157 |
| Other operating charges                 | 1510   | 2157  | 1079  | 458   | 853   | 846   | 1215  | 1454  | 1573  | 1696  | 1825  | 1946  | 2074  | 2211  | 2358  | 2513  | 2679  |
| Operating income (loss)                 | 8626   | 7501  | 8700  | 10086 | 8997  | 10308 | 10909 | 14209 | 15094 | 15960 | 16813 | 17567 | 18179 | 18751 | 19338 | 19942 | 20562 |
|                                         | 151.5% |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Interest income                         | 642    | 677   | 682   | 563   | 370   | 276   | 449   | 501   | 499   | 739   | 821   | 1044  | 1391  | 1589  | 1815  | 2055  | 2310  |
| Interest expense                        | 733    | 841   | 919   | 946   | 1437  | 1597  | 882   | 1894  | 1793  | 1919  | 1928  | 2003  | 2202  | 2243  | 2298  | 2355  | 2414  |
| Equity income (loss) - net              | 835    | 1071  | 1008  | 1049  | 978   | 1438  | 1472  | 1538  | 1607  | 1680  | 1755  | 1834  | 1917  | 2003  | 2093  | 2188  | 2286  |
| Income before income taxes              | 8136   | 6742  | 8350  | 10786 | 9749  | 12425 | 11686 | 14353 | 15408 | 16459 | 17461 | 18442 | 19285 | 20100 | 20949 | 21830 | 22743 |
| Income taxes                            | 1586   | 5560  | 1623  | 1801  | 1981  | 2621  | 2115  | 3158  | 3390  | 3621  | 3841  | 4057  | 4243  | 4422  | 4609  | 4803  | 5004  |
| Consolidated net income (loss)          | 6550   | 1283  | 6476  | 8985  | 7768  | 9804  | 9571  | 11195 | 12018 | 12838 | 13619 | 14385 | 15042 | 15678 | 16340 | 17027 | 17740 |
| Less: net income (loss) attributable to | -23    | -35   | -42   | -65   | -21   | -33   | -29   | (28)  | (30)  | (32)  | (34)  | (36)  | (38)  | (39)  | (41)  | (43)  | (44)  |
| Net income attributable to shareowne    | 6527   | 1248  | 6434  | 8920  | 7747  | 9771  | 9542  | 11167 | 11988 | 12806 | 13585 | 14349 | 15004 | 15639 | 16300 | 16985 | 17695 |
| Weighted average shares outstanding     | 4317   | 4272  | 4259  | 4276  | 4295  | 4315  | 4328  | 4,320 | 4,314 | 4,309 | 4,299 | 4,281 | 4,263 | 4,247 | 4,231 | 4,217 | 4,203 |
| Net income (loss) per share - basic     | 1.51   | 0.29  | 1.51  | 2.09  | 1.80  | 2.26  | 2.2   | 2.58  | 2.78  | 2.97  | 3.16  | 3.35  | 3.52  | 3.68  | 3.85  | 4.03  | 4.21  |
| Dividends per share                     | 1.4    | 1.48  | 1.56  | 1.6   | 1.64  | 1.68  | 1.76  | 1.83  | 1.90  | 1.98  | 2.06  | 2.14  | 2.23  | 2.32  | 2.41  | 2.51  | 2.61  |

**Coca Cola**
*Historical Cash Flow Statement*

| <b>Fiscal Years Ending Dec. 31</b>              | <b>2016</b>  | <b>2017</b>  | <b>2018</b>   | <b>2019</b>  | <b>2020</b>  | <b>2021</b>  | <b>2022</b>   |
|-------------------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| Consolidated net income (loss)                  | 6550         | 1283         | 6476          | 8985         | 7768         | 9804         | 9571          |
| Loss (income) from discontinued operations      | -            | -101         | 251           | -            | -            | -            | -             |
| Net income (loss) from continuing operations    | -            | 1182         | 6727          | -            | -            | -            | -             |
| Depreciation & amortization                     | 1787         | 1260         | 1086          | 1365         | 1536         | 1452         | 1260          |
| Stock-based compensation expense                | 258          | 219          | 225           | 201          | 126          | 337          | 356           |
| Deferred income taxes                           | -856         | -1256        | -450          | -280         | -18          | 894          | -122          |
| Equity loss (income) - net of dividend          | -449         | -628         | -457          | -421         | -511         | -615         | -838          |
| Foreign currency adjustments                    | 158          | 281          | -38           | 91           | -88          | 86           | 203           |
| Significant losses (gains) on sales of          | 1146         | 1459         | 189           | -            | -            | -            | -             |
| Significant losses (gains) - net                | -            | -            | -             | -467         | -914         | -1365        | -129          |
| Other operating charges                         | 647          | 1218         | 558           | 127          | 556          | 506          | 1086          |
| Other items                                     | -224         | -269         | 682           | 504          | 699          | 201          | 236           |
| Trade accounts receivable                       | -28          | -            | 66            | -158         | 882          | -225         | -69           |
| Inventories                                     | -142         | -            | -171          | -183         | 99           | -135         | -960          |
| Prepaid expenses & other assets                 | 283          | -            | -221          | -87          | 78           | -            | -             |
| Prepaid expenses & other current as             | -            | -            | -             | -            | -            | -241         | 225           |
| Accounts payable & accrued expenses             | -540         | -            | -289          | 1318         | -860         | 2843         | 759           |
| Accrued income taxes                            | 750          | -            | -12           | 96           | -16          | -566         | -360          |
| Other noncurrent liabilities                    | -544         | -            | -575          | -620         | 507          | -351         | -200          |
| Operating assets & liabilities                  | -221         | 3529         | -1202         | 366          | 690          | 1325         | -605          |
| <b>Net cash flows from operating activities</b> | <b>8796</b>  | <b>6995</b>  | <b>7320</b>   | <b>10471</b> | <b>9844</b>  | <b>12625</b> | <b>11018</b>  |
| Purchases of investments                        | -15499       | -16520       | -7789         | -4704        | -13583       | -6030        | -3751         |
| Proceeds from disposals of investments          | 16624        | 15911        | 14977         | 6973         | 13835        | 7059         | 4771          |
| Acquisitions of businesses, equity method       | -838         | -3900        | -1040         | -5542        | -1052        | -4766        | -73           |
| Proceeds from disposals of businesses           | 1035         | 3821         | 1362          | 429          | 189          | 2180         | 458           |
| Purchases of property, plant & equipment        | -2262        | -1675        | -1347         | -2054        | -1177        | -1367        | -1484         |
| Proceeds from disposals of property, plant      | 150          | 104          | 245           | 978          | 189          | 108          | 75            |
| Collateral (paid) received associated with      | -            | -            | -             | -            | -            | -            | -1465         |
| Other investing activities                      | -209         | -126         | -60           | -56          | 122          | 51           | 706           |
| <b>Net cash flows from investing activities</b> | <b>-999</b>  | <b>-2385</b> | <b>6348</b>   | <b>-3976</b> | <b>-1477</b> | <b>-2765</b> | <b>-763</b>   |
| Issuances of debt                               | 27281        | 29857        | 27339         | 23009        | 26934        | 13094        | 3972          |
| Payments of debt                                | -25615       | -28768       | -30568        | -24850       | -28796       | -12866       | -4930         |
| Issuances of stock                              | 1434         | 1595         | 1476          | 1012         | 647          | 702          | 837           |
| Purchases of stock for treasury                 | -3681        | -3682        | -1912         | -1103        | -118         | -111         | -1418         |
| Dividends                                       | -6043        | -6320        | -6644         | -6845        | -7047        | -7252        | -7616         |
| Other financing activities                      | 79           | -91          | -243          | -227         | 310          | -353         | -1095         |
| <b>Net cash flows from financing activities</b> | <b>-6545</b> | <b>-7409</b> | <b>-10552</b> | <b>-9004</b> | <b>-8070</b> | <b>-6786</b> | <b>-10250</b> |

## Coca Cola

## Forecasted Cash Flow Statement

| <b>Fiscal Years Ending Dec. 31</b>              | <b>2023E</b> | <b>2024E</b> | <b>2025E</b> | <b>2026E</b> | <b>2027E</b> | <b>2028E</b> | <b>2029E</b> | <b>2030E</b> | <b>2031E</b> | <b>2032E</b> |
|-------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net income                                      | 11195        | 12018        | 12838        | 13619        | 14385        | 15042        | 15678        | 16340        | 17027        | 17740        |
| Marketable securities                           | -51          | -53          | -55          | -58          | -61          | -64          | -67          | -70          | -73          | -77          |
| Trade accounts receivable                       | -604         | -254         | -281         | -74          | -81          | 34           | -166         | -172         | -178         | -184         |
| Inventories                                     | 212          | -201         | -198         | -199         | -162         | -167         | -173         | -179         | -186         | -192         |
| Accumulated other comprehensive income (loss)   | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Accounts Payable                                | 303          | 158          | 143          | 132          | 73           | -361         | 201          | 208          | 216          | 223          |
| Accrued marketing expenses                      | 238          | 53           | 16           | -130         | 103          | -181         | 101          | 104          | 108          | 112          |
| Other accrued expenses                          | -500         | 257          | 254          | 254          | 207          | 214          | 222          | 229          | 237          | 246          |
| Accrued compensation                            | 12           | 55           | 54           | 54           | 44           | 46           | 47           | 49           | 51           | 52           |
| Intangibles                                     | -115         | -76          | -70          | -74          | -35          | -28          | -40          | -40          | -40          | -41          |
| Loans & notes payable                           | -291         | 44           | -1373        | 26           | 24           | -2           | 25           | 26           | 27           | 28           |
| Variable Consideration Payable                  | 1            | 47           | 46           | 46           | 38           | 39           | 40           | 42           | 43           | 45           |
| Depreciation Expense                            | 1401         | 1419         | 1441         | 1467         | 1496         | 1528         | 1563         | 1600         | 1640         | 1682         |
| Prepaid expenses & other current assets         | 201          | -201         | -229         | -210         | -212         | 151          | -131         | -135         | -140         | -145         |
| Deferred Income Tax Assets                      | 108          | 164          | 250          | 336          | 408          | 370          | 64           | 23           | 10           | 5            |
| Accrued Income Taxes                            | -439         | 56           | 56           | 53           | 52           | 45           | 43           | 45           | 47           | 49           |
| Other Non-current Assets                        | -67          | -257         | -254         | -254         | -207         | -214         | -222         | -229         | -237         | -246         |
| Trademarks with indefinite lives                | 45           | 33           | 29           | 23           | 22           | 30           | 27           | 26           | 26           | 26           |
| Cash from operating activities                  | 11650        | 13261        | 12665        | 15011        | 16094        | 16481        | 17212        | 17867        | 18576        | 19323        |
| Short-term investments                          | -57          | -60          | -64          | -67          | -71          | -75          | -79          | -83          | -88          | -93          |
| Equity method investments                       | -822         | -859         | -898         | -938         | -980         | -1024        | -1070        | -1118        | -1169        | -1221        |
| Other investments                               | -15          | -15          | -16          | -16          | -17          | -17          | -18          | -18          | -19          | -20          |
| Capital expenditures                            | -1529        | -1574        | -1622        | -1670        | -1720        | -1772        | -1825        | -1880        | -1936        | -1994        |
| Operating Lease Assets                          | 14           | 17           | 19           | 21           | 22           | 23           | 23           | 24           | 24           | 24           |
| Cash from Investing activities                  | -2408        | -2492        | -2580        | -2671        | -2766        | -2866        | -2969        | -3076        | -3188        | -3304        |
| Common Stock Repurchases                        | -1372        | -1345        | -1318        | -1291        | -1265        | -1240        | -1215        | -1191        | -1167        | -1144        |
| Common Stock Issuance                           | 753          | 753          | 753          | 452          | 0            | 0            | 0            | 0            | 0            | 0            |
| Current Maturities of debt                      | 0            | 1568         | -844         | 435          | 2936         | -22          | 0            | 0            | 0            | 0            |
| Long Term Debt                                  | -2021        | 983          | 1042         | 1079         | 1072         | 863          | 1111         | 1162         | 1216         | 1269         |
| Operating Lease Liabilities                     | -14          | -17          | -19          | -21          | -22          | -23          | -23          | -24          | -24          | -24          |
| Dividends                                       | -7908        | -8213        | -8532        | -8852        | -9167        | -9494        | -9836        | -10192       | -10564       | -10951       |
| Deferred Income Taxes                           | -810         | 105          | 104          | 104          | 85           | 88           | 91           | 94           | 97           | 100          |
| Equity attributable to noncontrolling interests | -28          | -30          | -32          | -34          | -36          | -38          | -39          | -41          | -43          | -44          |
| Other non-current liabilities                   | 2074         | 444          | 438          | 439          | 357          | 370          | 383          | 396          | 410          | 424          |
| Cash from Financing Activities                  | -9326        | -5751        | -8408        | -7690        | -6040        | -9496        | -9530        | -9796        | -10075       | -10369       |
| Cash & equivalents increase (decrease)          | -85          | 5018         | 1677         | 4651         | 7287         | 4120         | 4713         | 4995         | 5314         | 5650         |
| Cash & equivalents at beginning of year         | 9519         | 9434         | 14452        | 16130        | 20780        | 28067        | 32187        | 36900        | 41895        | 47208        |
| Cash & equivalents at end of year               | 9434         | 14452        | 16130        | 20780        | 28067        | 32187        | 36900        | 41895        | 47208        | 52858        |



Coca Cola  
Common Size Balance Sheet

| Fiscal Years Ending Dec. 31           | 2016     | 2020     | 2021     | 2022     | 2023E    | 2024E    | 2025E    | 2026E    | 2027E    | 2028E    | 2029E    | 2030E    | 2031E    | 2032E   |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Cash & cash equivalents               | 20.44%   | 20.58%   | 25.05%   | 22.14%   | 20.18%   | 29.44%   | 31.38%   | 38.69%   | 50.49%   | 55.94%   | 61.96%   | 67.97%   | 74.00%   | 80.06%  |
| Short-term investments                | 22.92%   | 5.36%    | 3.21%    | 2.43%    | 2.35%    | 2.36%    | 2.38%    | 2.40%    | 2.45%    | 2.50%    | 2.55%    | 2.60%    | 2.64%    | 2.70%   |
| Marketable securities                 | 9.68%    | 7.11%    | 4.40%    | 2.49%    | 2.39%    | 2.39%    | 2.39%    | 2.39%    | 2.42%    | 2.45%    | 2.48%    | 2.51%    | 2.54%    | 2.57%   |
| Trade accounts receivable             | 9.21%    | 9.52%    | 9.09%    | 8.11%    | 8.75%    | 8.85%    | 9.00%    | 8.75%    | 8.60%    | 8.25%    | 8.25%    | 8.25%    | 8.25%    | 8.25%   |
| Inventories                           | 6.39%    | 9.89%    | 8.83%    | 9.84%    | 8.60%    | 8.60%    | 8.60%    | 8.60%    | 8.60%    | 8.60%    | 8.60%    | 8.60%    | 8.60%    | 8.60%   |
| Prepaid expenses & other current a:   | 5.93%    | 5.80%    | 7.75%    | 7.53%    | 6.50%    | 6.60%    | 6.75%    | 6.85%    | 7.00%    | 6.50%    | 6.50%    | 6.50%    | 6.50%    | 6.50%   |
| Total current assets                  | 81.24%   | 58.28%   | 58.32%   | 52.53%   | 48.78%   | 58.24%   | 60.50%   | 67.69%   | 79.56%   | 84.24%   | 90.34%   | 96.43%   | 102.54%  | 108.67% |
| Equity method investments             | 38.84%   | 58.38%   | 45.53%   | 42.47%   | 40.82%   | 40.63%   | 40.55%   | 40.55%   | 40.94%   | 41.34%   | 41.74%   | 42.14%   | 42.55%   | 42.96%  |
| Other investments                     | 2.36%    | 2.46%    | 2.12%    | 1.17%    | 1.10%    | 1.08%    | 1.07%    | 1.05%    | 1.04%    | 1.04%    | 1.03%    | 1.03%    | 1.02%    | 1.02%   |
| Other noncurrent assets               | 10.15%   | 13.82%   | 13.61%   | 11.80%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%  |
| Deferred income tax assets            | 0.00%    | 7.45%    | 5.51%    | 4.06%    | 93.82%   | 89.98%   | 83.03%   | 72.52%   | 53.98%   | 22.79%   | 41.82%   | 50.09%   | 54.89%   | 57.33%  |
| Property, plant & equipment - net     | 25.40%   | 32.64%   | 25.66%   | 22.88%   | 21.32%   | 20.62%   | 20.05%   | 19.56%   | 19.31%   | 19.08%   | 18.87%   | 18.69%   | 18.52%   | 18.37%  |
| Trademarks with indefinite lives      | 14.56%   | 31.49%   | 37.42%   | 33.05%   | 32.50%   | 32.50%   | 32.50%   | 32.50%   | 32.50%   | 32.50%   | 32.50%   | 32.50%   | 32.50%   | 32.50%  |
| Goodwill                              | 25.39%   | 53.03%   | 50.09%   | 43.68%   | 40.17%   | 38.26%   | 36.54%   | 34.97%   | 33.79%   | 32.64%   | 31.54%   | 30.47%   | 29.44%   | 28.45%  |
| Other intangible assets               | 1.73%    | 1.97%    | 2.03%    | 1.48%    | 1.70%    | 1.75%    | 1.80%    | 1.85%    | 1.85%    | 1.85%    | 1.85%    | 1.85%    | 1.85%    | 1.85%   |
| Total assets                          | 208.47%  | 264.42%  | 244.09%  | 215.71%  | 200.96%  | 205.52%  | 203.35%  | 206.44%  | 215.45%  | 217.45%  | 221.56%  | 225.83%  | 230.23%  | 234.75% |
| Accounts payable                      | 6.41%    | 10.65%   | 11.91%   | 12.34%   | 12.00%   | 11.75%   | 11.50%   | 11.25%   | 11.00%   | 10.00%   | 10.00%   | 10.00%   | 10.00%   | 10.00%  |
| Accrued marketing expenses            | 5.22%    | 5.85%    | 7.32%    | 6.46%    | 6.45%    | 6.25%    | 6.00%    | 5.50%    | 5.50%    | 5.00%    | 5.00%    | 5.00%    | 5.00%    | 5.00%   |
| Variable consideration payable        | 0.00%    | 3.44%    | 2.89%    | 2.17%    | 2.00%    | 2.00%    | 2.00%    | 2.00%    | 2.00%    | 2.00%    | 2.00%    | 2.00%    | 2.00%    | 2.00%   |
| Other accrued expenses                | 6.19%    | 10.15%   | 12.98%   | 13.12%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%   | 11.00%  |
| Accrued compensation                  | 2.05%    | 1.84%    | 2.72%    | 2.53%    | 2.35%    | 2.35%    | 2.35%    | 2.35%    | 2.35%    | 2.35%    | 2.35%    | 2.35%    | 2.35%    | 2.35%   |
| Loans & notes payable                 | 29.85%   | 6.61%    | 8.56%    | 5.52%    | 17.00%   | 16.50%   | 5.55%    | 5.55%    | 5.55%    | 5.55%    | 5.55%    | 5.55%    | 5.55%    | 5.55%   |
| Current maturities of long-term debt  | 8.43%    | 1.47%    | 3.46%    | 0.93%    | 0.85%    | 4.01%    | 2.18%    | 2.90%    | 8.08%    | 7.77%    | 7.51%    | 7.26%    | 7.01%    | 6.77%   |
| Accrued income taxes                  | 0.73%    | 2.39%    | 1.77%    | 2.80%    | 24.21%   | 24.21%   | 24.21%   | 24.21%   | 24.21%   | 24.21%   | 24.21%   | 24.21%   | 24.21%   | 24.21%  |
| Total current liabilities             | 63.38%   | 44.23%   | 51.61%   | 45.87%   | 40.74%   | 43.36%   | 38.21%   | 38.18%   | 43.15%   | 41.30%   | 41.04%   | 40.80%   | 40.56%   | 40.33%  |
| Total debt before current portion     | 79.33%   | 123.01%  | 102.07%  | 85.52%   | 0.00%    | 0.00%    | 0.00%    | 0.00%    | 0.00%    | 0.00%    | 0.00%    | 0.00%    | 0.00%    | 0.00%   |
| Long-term debt                        | 70.91%   | 121.54%  | 98.61%   | 84.59%   | 73.48%   | 71.99%   | 70.78%   | 69.74%   | 69.31%   | 68.47%   | 68.02%   | 67.60%   | 67.22%   | 66.87%  |
| Other noncurrent liabilities          | 4.68%    | 24.70%   | 19.26%   | 15.83%   | 19.00%   | 19.00%   | 19.00%   | 19.00%   | 19.00%   | 19.00%   | 19.00%   | 19.00%   | 19.00%   | 19.00%  |
| Deferred income tax liabilities       | 8.96%    | 5.55%    | 7.30%    | 6.78%    | 4.50%    | 4.50%    | 4.50%    | 4.50%    | 4.50%    | 4.50%    | 4.50%    | 4.50%    | 4.50%    | 4.50%   |
| Long-Term Liabilities                 |          | 155.72%  | 128.17%  | 109.79%  | 99.33%   | 97.69%   | 96.35%   | 95.18%   | 94.65%   | 93.70%   | 93.15%   | 92.65%   | 92.18%   | 91.74%  |
| Common Equity                         |          | 58.64%   | 51.42%   | 47.86%   | 45.63%   | 44.99%   | 44.44%   | 43.36%   | 41.90%   | 40.48%   | 39.11%   | 37.79%   | 36.51%   | 35.28%  |
| Reinvested earnings                   | 156.47%  | 201.60%  | 178.75%  | 165.15%  | 158.93%  | 159.11%  | 160.35%  | 162.32%  | 166.22%  | 170.24%  | 174.29%  | 178.37%  | 182.47%  | 186.58% |
| Accumulated other comprehensive i     | -26.77%  | -44.23%  | -37.07%  | -34.64%  | -31.86%  | -30.34%  | -28.98%  | -27.73%  | -26.79%  | -25.89%  | -25.01%  | -24.17%  | -23.35%  | -22.56% |
| Treasury stock                        | -114.63% | -157.56% | -133.59% | -122.32% | -115.44% | -112.68% | -110.19% | -107.85% | -106.48% | -105.03% | -103.52% | -101.95% | -100.33% | -98.67% |
| Equity attributable to shareowners o  | 55.09%   | 58.46%   | 59.50%   | 56.05%   | 57.26%   | 61.08%   | 65.62%   | 70.11%   | 74.85%   | 79.80%   | 84.87%   | 90.04%   | 95.30%   | 100.63% |
| Equity attributable to noncontrolling | 0.38%    | 6.01%    | 4.81%    | 4.00%    | 0.00%    | 3.39%    | 3.17%    | 2.97%    | 2.81%    | 2.65%    | 2.49%    | 2.34%    | 2.20%    | 2.05%   |
| Total equity                          | 55.47%   | 64.47%   | 64.31%   | 60.05%   | 60.89%   | 64.47%   | 68.79%   | 73.08%   | 77.65%   | 82.45%   | 87.36%   | 92.39%   | 97.50%   | 102.68% |

## Coca Cola

## Common Size Income Statement

| Fiscal Years Ending Dec. 31             | 2020   | 2021   | 2022   | 2023E  | 2024E  | 2025E  | 2026E  | 2027E  | 2028E  | 2029E  | 2030E  | 2031E  | 2032E  |
|-----------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net operating revenues                  | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   |
| Cost of goods sold                      | 36.0%  | 36.0%  | 38.9%  | 38.0%  | 37.8%  | 37.7%  | 37.5%  | 37.4%  | 37.3%  | 37.3%  | 37.3%  | 37.3%  | 37.3%  |
| Gross profit                            | 59%    | 60%    | 58%    | 62%    | 62%    | 62%    | 63%    | 63%    | 63%    | 63%    | 63%    | 63%    | 63%    |
| Selling, general & administrative exp   | 29.5%  | 31.4%  | 30.0%  | 28.5%  | 28.3%  | 28.0%  | 27.8%  | 27.5%  | 27.5%  | 27.5%  | 27.5%  | 27.5%  | 27.5%  |
| Other operating charges                 | 2.6%   | 2.2%   | 2.8%   | 3.1%   | 3.2%   | 3.3%   | 3.4%   | 3.5%   | 3.6%   | 3.7%   | 3.8%   | 3.9%   | 4.1%   |
| Operating income (loss)                 | 27%    | 27%    | 25%    | 30.39% | 30.75% | 31.05% | 31.30% | 31.60% | 31.59% | 31.49% | 31.38% | 31.26% | 31.14% |
| Interest income                         | 1.1%   | 0.7%   | 1.0%   | 1.1%   | 1.0%   | 1.4%   | 1.5%   | 1.9%   | 2.4%   | 2.7%   | 2.9%   | 3.2%   | 3.5%   |
| Interest expense                        | 4.4%   | 4.1%   | 2.1%   | 4.1%   | 3.7%   | 3.7%   | 3.6%   | 3.6%   | 3.8%   | 3.8%   | 3.7%   | 3.7%   | 3.7%   |
| Equity income (loss) - net              | 3.0%   | 3.7%   | 3.4%   | 3.3%   | 3.3%   | 3.3%   | 3.3%   | 3.3%   | 3.3%   | 3.4%   | 3.4%   | 3.4%   | 3.5%   |
| Income before income taxes              | 29.5%  | 32.1%  | 27.2%  | 30.7%  | 31.4%  | 32.0%  | 32.5%  | 33.2%  | 33.5%  | 33.8%  | 34.0%  | 34.2%  | 34.4%  |
| Total deferred income tax expense (     | -0.05% | 2.31%  | -0.28% | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% |
| Income taxes                            | 6.00%  | 6.78%  | 4.92%  | 6.75%  | 6.90%  | 7.04%  | 7.15%  | 7.30%  | 7.37%  | 7.43%  | 7.48%  | 7.53%  | 7.58%  |
| Consolidated net income (loss)          | 23.53% | 25.36% | 22.26% | 23.95% | 24.48% | 24.98% | 25.36% | 25.88% | 26.14% | 26.33% | 26.51% | 26.69% | 26.87% |
| Less: net income (loss) attributable to | -0.06% | -0.09% | -0.07% | 0.25%  | 0.25%  | 0.25%  | 0.25%  | 0.25%  | 0.25%  | 0.25%  | 0.25%  | 0.25%  | 0.25%  |
| Net income attributable to shareown     | 23.47% | 25.28% | 22.19% | 23.89% | 24.42% | 24.91% | 25.29% | 25.81% | 26.08% | 26.26% | 26.44% | 26.62% | 26.80% |
| Weighted average shares outstandi       | 13.01% | 11.16% | 10.06% | 9.24%  | 8.79%  | 8.38%  | 8.00%  | 7.70%  | 7.41%  | 7.13%  | 6.87%  | 6.61%  | 6.37%  |

**Coca Cola***Present Value of Operating Lease Obligations*

| <b>Fiscal Years Ending Dec. 31</b> | <b>2016</b>  | <b>2017</b>  | <b>2018</b>  |
|------------------------------------|--------------|--------------|--------------|
| Year 1                             | 176.0        | 130.0        | 144.0        |
| Year 2                             | 98.0         | 85.0         | 84.0         |
| Year 3                             | 78.0         | 69.0         | 70.0         |
| Year 4                             | 64.0         | 59.0         | 60.0         |
| Year 5                             | 54.0         | 52.0         | 42.0         |
| Thereafter                         | 213.0        | 147.0        | 100.0        |
| Total Minimum Payments             | 683.0        | 542.0        | 500.0        |
| Less: Cumulative Interest          | 116.0        | 87.2         | 71.7         |
| <b>PV of Minimum Payments</b>      | <b>567.0</b> | <b>454.8</b> | <b>428.3</b> |

|                                           |             |             |             |
|-------------------------------------------|-------------|-------------|-------------|
| <b>Implied Interest in Year 1 Payment</b> | <b>66.1</b> | <b>28.3</b> | <b>22.7</b> |
|-------------------------------------------|-------------|-------------|-------------|

|                                        |       |       |       |
|----------------------------------------|-------|-------|-------|
| Pre-Tax Cost of Debt                   | 5.00% | 5.00% | 5.00% |
| Years Implied by Year 6 Payment        | 3.9   | 2.8   | 2.4   |
| Expected Obligation in Year 6 & Beyond | 54    | 52    | 42    |

**Present Value of Lease Payments**

|                            |       |       |       |
|----------------------------|-------|-------|-------|
| PV of Year 1               | 167.6 | 123.8 | 137.1 |
| PV of Year 2               | 88.9  | 77.1  | 76.2  |
| PV of Year 3               | 67.4  | 59.6  | 60.5  |
| PV of Year 4               | 52.7  | 48.5  | 49.4  |
| PV of Year 5               | 42.3  | 40.7  | 32.9  |
| PV of 6 & beyond           | 148.1 | 105.0 | 72.2  |
| Capitalized PV of Payments | 567.0 | 454.8 | 428.3 |

### Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

|                     |        |
|---------------------|--------|
| CV Growth of NOPLAT | 3.00%  |
| CV Year ROIC        | 74.35% |
| WACC                | 6.89%  |
| Cost of Equity      | 7.48%  |

**DCF Model:**

|                                  |                 |
|----------------------------------|-----------------|
| Value of Operating Assets:       | 282407          |
| Non-Operating Adjustments        |                 |
| ESOP                             | -798            |
| Current Portion of LTD           | -399            |
| Long-Term Debt                   | -36377          |
| PV of Operating Leases           | -1113           |
| Non-Controlling Interest         | -1693           |
| Short-term Investments           | 1043            |
| Marketable Securities            | 1069            |
| Equity Method Investments        | 18264           |
| <b>Value of Equity</b>           | <b>262403</b>   |
| Shares Outstanding               | 4328            |
| Intrinsic Value of Last FYE      | \$ 60.63        |
| <b>Implied Price as of Today</b> | <b>\$ 62.98</b> |

|                       |        |         |         |         |         |         |         |         |         |          |
|-----------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| Economic Profit (EP)  | 9894.7 | 10409.1 | 10876.1 | 11344.6 | 11707.6 | 12067.4 | 12662.3 | 13014.3 | 13341.2 | 13662.0  |
| Continuing Value (CV) |        |         |         |         |         |         |         |         |         | 351409.2 |
| PV of EP              | 9257.1 | 9110.8  | 8906.1  | 8691.2  | 8391.3  | 8091.8  | 7943.6  | 7638.3  | 7325.6  | 192957.2 |

|                             |          |
|-----------------------------|----------|
| Total PV of EP              | 268313   |
| Invested Capital (last FYE) | 14094    |
| Value of Operating Assets:  | 282407   |
| Non-Operating Adjustments   |          |
| ESOP                        | -797.7   |
| Current Portion of LTD      | -399.0   |
| Long-Term Debt              | -36377.0 |
| PV of Operating Leases      | -1113.0  |
| Non-Controlling Interest    | -1693.0  |
| Short-term Investments      | 1043.0   |
| Marketable Securities       | 1069.0   |
| Equity Method Investments   | 18264.0  |
| Value of Equity             | 262403.2 |
| Shares Outstanding          | 4328.0   |
| Intrinsic Value of Last FYE | \$ 60.63 |
| Implied Price as of Today   | \$ 62.98 |

## Coca Cola

### Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

[illegible]

### ***Future Cash Flows***

|                        |    |      |    |      |    |      |    |      |    |      |    |      |    |         |    |      |    |      |          |
|------------------------|----|------|----|------|----|------|----|------|----|------|----|------|----|---------|----|------|----|------|----------|
| P/E Multiple (CV Year) |    |      |    |      |    |      |    |      |    |      |    |      |    | 20.77   |    |      |    |      |          |
| EPS (CV Year)          |    |      |    |      |    |      |    |      |    |      |    |      |    | \$ 4.21 |    |      |    |      |          |
| Future Stock Price     |    |      |    |      |    |      |    |      |    |      |    |      |    | 87.45   |    |      |    |      |          |
| Dividends Per Share    | \$ | 1.83 | \$ | 1.90 | \$ | 1.98 | \$ | 2.06 | \$ | 2.14 | \$ | 2.23 | \$ | 2.32    | \$ | 2.41 | \$ | 2.51 |          |
| Discounted Cash Flows  | \$ | 1.70 | \$ | 1.65 | \$ | 1.59 | \$ | 1.54 | \$ | 1.49 | \$ | 1.44 | \$ | 1.40    | \$ | 1.35 | \$ | 1.31 | \$ 45.69 |


|                                  |                 |
|----------------------------------|-----------------|
| Intrinsic Value as of Last FYE   | \$ 59.17        |
| <b>Implied Price as of Today</b> | <b>\$ 61.47</b> |



## Coca Cola

### Relative Valuation Models

| Ticker  | Company                | Price    | EPS<br>2023E | EPS<br>2024E | P/E 23  | P/E 24 | P/S   |
|---------|------------------------|----------|--------------|--------------|---------|--------|-------|
| PEP     | PepsiCo, Inc           | \$175.21 | \$7.04       | \$7.61       | 24.89   | 23.02  | 2.40  |
| BUD     | Anheuser-Busch InBev   | \$56.44  | \$3.08       | \$3.64       | 18.32   | 15.51  | 1.80  |
| MNST    | Monster Beverage Corp  | \$54.52  | \$1.54       | \$1.79       | 35.40   | 30.46  | 7.60  |
| CELH    | Celsius Holdings       | \$163.67 | (\$2.63)     | \$1.80       | (62.23) | 90.93  | 13.60 |
| FIZZ    | National Beverage Corp | \$45.23  | \$1.52       | \$1.85       | 29.76   | 24.45  | 3.60  |
| KDP     | Keurig Dr. Pepper      | \$33.12  | \$1.78       | \$1.92       | 18.61   | 17.25  | 2.70  |
| Average |                        |          |              |              | 25.40   | 22.14  | 3.57  |

|                                                                                       |           |         |        |        |      |      |      |
|---------------------------------------------------------------------------------------|-----------|---------|--------|--------|------|------|------|
|  THE | Coca Cola | \$57.15 | \$2.58 | \$2.78 | 22.1 | 20.6 | 5.20 |
|---------------------------------------------------------------------------------------|-----------|---------|--------|--------|------|------|------|

### Implied Relative Value:

|             |          |
|-------------|----------|
| P/E (EPS23) | \$ 65.64 |
| P/E (EPS24) | \$ 61.51 |
| P/S         | \$ 47.98 |

**Coca Cola**  
Key Management Ratios

| Fiscal Years Ending Dec. 31                         | 2020   | 2021   | 2022   | 2023E  | 2024E  | 2025E  | 2026E  | 2027E  | 2028E  | 2029E  | 2030E  | 2031E  | 2032E  |
|-----------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Liquidity Ratios:</b>                            |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Current Ratio ((CA-Inventory)/CL)                   | 1.09   | 0.96   | 0.93   | 0.99   | 1.14   | 1.36   | 1.55   | 1.64   | 1.83   | 1.99   | 2.15   | 2.32   | 2.48   |
| Cash Ratio (Cash/CL)                                | 0.47   | 0.49   | 0.48   | 0.50   | 0.68   | 0.82   | 1.01   | 1.17   | 1.35   | 1.51   | 1.67   | 1.82   | 1.99   |
| Quick Ratio ((Cash+A/R)/CL)                         | 0.68   | 0.66   | 0.66   | 0.71   | 0.88   | 1.06   | 1.24   | 1.37   | 1.55   | 1.71   | 1.87   | 2.03   | 2.19   |
| <b>Asset-Management Ratios:</b>                     |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Total Asset Turnover (Net income/Avg. Total Assets) | 0.09   | 0.11   | 0.10   | 0.12   | 0.12   | 0.12   | 0.13   | 0.12   | 0.12   | 0.12   | 0.12   | 0.12   | 0.12   |
| Fixed Asset Turnover (Net income/Avg. Fixed Assets) |        |        |        |        |        |        |        |        |        |        |        |        |        |
| A/R Turnover                                        | 0.16   | 0.17   | 0.15   | 0.18   | 0.17   | 0.15   | 0.14   | 0.12   | 0.10   | 0.10   | 0.09   | 0.08   | 0.08   |
| <b>Financial Leverage Ratios:</b>                   |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Debt to Equity (D/E)                                | 1.91   | 1.59   | 1.42   | 1.22   | 1.18   | 1.06   | 0.99   | 1.00   | 0.92   | 0.86   | 0.81   | 0.76   | 0.72   |
| Debt to Assets (D/A)                                | 0.47   | 0.42   | 0.40   | 0.37   | 0.37   | 0.36   | 0.35   | 0.36   | 0.35   | 0.34   | 0.33   | 0.32   | 0.31   |
| Asset to Equity (TA/TSE)                            | 4.10   | 3.80   | 3.59   | 3.30   | 3.19   | 2.96   | 2.82   | 2.77   | 2.64   | 2.54   | 2.44   | 2.36   | 2.29   |
| <b>Profitability Ratios:</b>                        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Return on Equity (NI/Beg TSE)                       | 36.72% | 45.91% | 38.38% | 43.24% | 42.11% | 40.46% | 38.42% | 36.55% | 34.76% | 32.97% | 31.33% | 29.83% | 28.45% |
| Return on Assets (NI/TA)                            | 8.9%   | 10.4%  | 10.3%  | 11.9%  | 11.9%  | 12.3%  | 12.3%  | 12.0%  | 12.0%  | 11.9%  | 11.7%  | 11.6%  | 11.4%  |
| Gross Profit Margin ((Sales-COGS)/Sales)            | 34.5%  | 32.6%  | 31.1%  | 36.5%  | 36.8%  | 37.2%  | 37.4%  | 37.8%  | 37.9%  | 37.8%  | 37.8%  | 37.8%  | 37.7%  |
| <b>Payout Policy Ratios:</b>                        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Dividend Payout Ratio (Dividend/EPS)                | 91.1%  | 74.3%  | 80.0%  | 70.8%  | 68.5%  | 66.6%  | 65.2%  | 63.9%  | 63.3%  | 62.9%  | 62.5%  | 62.2%  | 61.9%  |
| Total Payout Ratio ((Divs. + Repurchases)/NI)       | 92.5%  | 75.4%  | 94.7%  | 82.9%  | 79.5%  | 76.7%  | 74.5%  | 72.5%  | 71.4%  | 70.5%  | 69.7%  | 68.9%  | 68.2%  |

## Coca Cola

### Weighted Average Cost of Capital (WACC) Estimation

#### Cost of Equity:

|                       |              |
|-----------------------|--------------|
| Risk-Free Rate        | 4.73%        |
| Beta                  | 0.55         |
| Equity Risk Premium   | 5.00%        |
| <b>Cost of Equity</b> | <b>7.48%</b> |

#### ASSUMPTIONS:

10-year Treasury  
5-year Monthly  
HF Team agreement

#### Cost of Debt:

|                               |              |
|-------------------------------|--------------|
| Risk-Free Rate                | 4.73%        |
| Implied Default Premium       | -0.86%       |
| Pre-Tax Cost of Debt          | 3.87%        |
| Marginal Tax Rate             | 22%          |
| <b>After-Tax Cost of Debt</b> | <b>3.02%</b> |

10-year Treasury

YTM on bond maturing

#### Market Value of Common Equity:

|                          |                |
|--------------------------|----------------|
| Total Shares Outstanding | 4328           |
| Current Stock Price      | \$57.15        |
| <b>MV of Equity</b>      | <b>247,345</b> |

#### MV Weights

86.72%

#### Market Value of Debt:

|                         |               |
|-------------------------|---------------|
| Short-Term Debt         |               |
| Current Portion of LTD  | 399           |
| Long-Term Debt          | 36377         |
| PV of Operating Leases  | 1099          |
| <b>MV of Total Debt</b> | <b>37,875</b> |

13.28%

#### Market Value of the Firm

285,219.95

100.00%

#### Estimated WACC

6.89%