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RESEARCH HenryFund.Org

THE COCA-COLA COMPANY (KO)

September 20, 2024

Consumer Staples – Beverages (Non-Alcoholic)

Stock Rating SELL

Investment Thesis

We recommend a **SELL** rating for Coca-Cola with a target price of $72, for an upside of 1.6%. Aggressive growth expectations from analysts and weaker consumer demand will make it difficult to meet top-line expectations. Many investors have flooded the stock as a flight to quality among economic uncertainty causing it to trade at a premium against its peers.

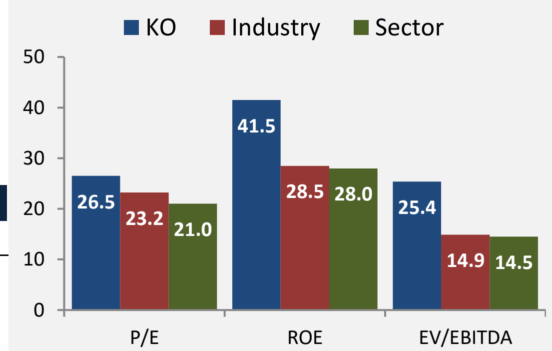
Drivers of Thesis

- A growing health-conscious consumer base has intensified competition in the "better-for-you" soda market, constraining volume growth to 1-2% throughout the forecast horizon.
- Wall Street projections of 10% organic revenue growth significantly exceed historical averages and may prove challenging to achieve given softening consumer trends in North America and Asia.
- The company's core focus on carbonated beverages limits opportunities for diversification, potentially placing it at a competitive disadvantage to PepsiCo and Keurig Dr. Pepper.

Risks to Thesis

- Coca-Cola's industry-leading financial performance, a consistent dividend payout ratio of 70-80%, and robust momentum in Latin America position it favorably against competitors.
- The company's proactive adoption of artificial intelligence has increased customer purchases by 30% and is expected to generate more targeted advertising and supply chain efficiencies.
- Coca-Cola's trademark products maintain over 20% market share in numerous countries, while its extensive bottler network reinforces its dominant position in the global beverage industry.

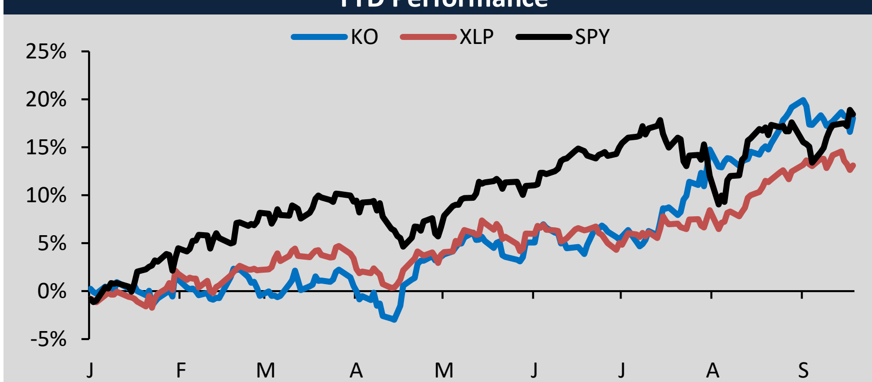
Target Price	$72
Henry Fund DCF	$72
Henry Fund DDM	$74
Relative Multiple	$62
Price Data	
Current Price	$71
52wk Range	$52 – 74
Consensus 1yr Target	$72
Key Statistics	
Market Cap (B)	$308.8
Shares Outstanding (M)	4,310.0
Institutional Ownership	73.0%
Beta	0.45
Dividend Yield	2.7%
Est. 5yr Growth	4.4%
Price/Earnings (TTM)	29.1
Price/Earnings (FY1)	26.5
Price/Sales (TTM)	6.7
EV/EBITDA (FY1)	25.4
Profitability	
Gross Margin	62.0%
Operating Margin	24.7%
Profit Margin	23.4%
Return on Assets (TTM)	10.2%
Return on Equity (TTM)	41.5%



Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	$2.26	$2.20	$2.48	$2.69	$2.99	$3.22
HF est.				$2.68	$2.97	$3.10
Growth	*25.5%*	*-2.6%*	*12.4%*	*8.2%*	*10.7%*	*4.6%*

YTD Performance



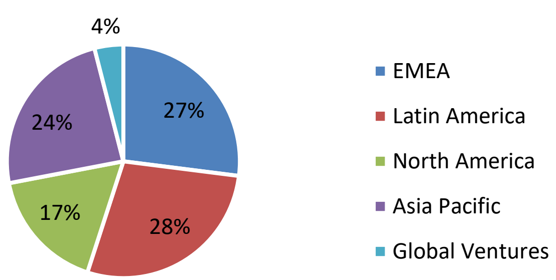
Company Description

Coca-Cola is a producer of non-alcoholic beverages including carbonated soda, juice, dairy, sports drinks, and water products. It oversees a portfolio of 200+ brands that include Trademark Coca-Cola, Dasani, fairlife, Minute Maid, Powerade, and Sprite. The company has an extensive distribution network with customers in 200+ countries and territories, with 37% of its sales originating from North America. The company was founded in 1886 and is headquartered in Atlanta, Georgia.

COMPANY DESCRIPTION

The Coca-Cola Company ("Coca-Cola", "the company") is one of the world's largest beverage companies, producing a wide range of soda, juice, dairy, sports drinks, and water products. Founded in 1886, the Atlanta-based company has products sold in over 200 countries and territories with roughly 200 brands in its portfolio.[1] These brands include Trademark Coca-Cola (Coca-Cola, Diet Coke/Coca-Cola Light, Coca-Cola Zero Sugar, Cherry Coke), Dasani, fairlife, Fanta, Minute Maid, Powerade, smartwater, Sprite, and vitaminwater.[2] The company also has an extensive bottler network through its subsidiaries and partners, with distribution points in North America, South America, EMEA (Europe, Middle East, and Africa), and Asia.[3] This supply chain is initiated by The Coca-Cola Company, which manufactures the necessary concentrates and syrups. These bases are then transported to the company's bottling partners, who assemble, package, and distribute the final product to customers. As a result of this vast network, Coca-Cola has a very diversified geographic revenue stream. Last fiscal year, the company sold 33.3 billion cases of Coca-Cola products.

Unit Case Volume by Region ('23)

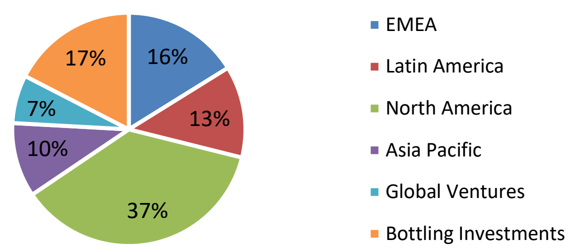


Source: KO Q2 2024 Investor Day Presentation
Unit Cases: Approximately 5.678 liters or 24 servings of 8 U.S. ounces, the size of the original Coca-Cola bottle.[4]

Geographic revenues are constructed similarly but also include revenues from franchising fees within its bottler network. Most bottlers are independently operated and are not overseen by The Coca-Cola Company. However, for bottlers in lower-income regions, the Bottling Investments Group exists to collect franchising premiums.

Created in 2006, The Bottling Investments Group (BIG) is the only company-owned bottling operations platform. The company invests in producers in struggling areas, looking to improve their manufacturing standards and overcome financial hardships. Management has slowly reduced its investment in these locations, as many have grown to the point where they can operate independently. As of December 2023, BIG only has investments in Africa, India, and the Asia-Pacific and accounted for 17% of revenues in the last fiscal year.[5]

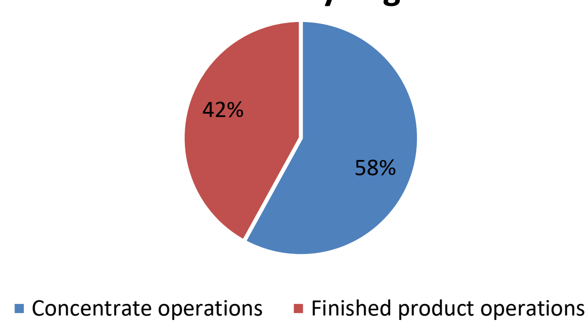
KO Geographic Revenue ($45.8B)



Source: KO 2023 10-K

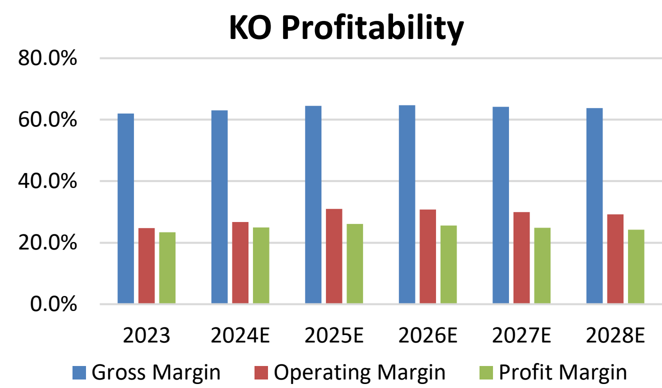
Operationally, Coca-Cola only has 2 segments – concentrate operations and finished product operations. Concentrate operations refer to the sale of concentrates ("beverage bases") and syrups to its bottling partners, who then combine these bases with still or sparkling water to produce finished beverages.[6] Finished product operations refer to the sale of finished beverages either directly to retailers or to distributors and wholesalers who then supply them to retailers. The Coca-Cola Company and the Bottling Investment Group largely support this operation but also include direct-to-consumer (DTC) sales of Costa retail stores (see "Recent Acquisitions" under Recent Developments). Due to the recent downsizing of BIG, finished product operations have fallen from 49% of revenues in 2017 to only 42% in 2023.

KO Revenue by Segment



Source: KO 2023 10-K

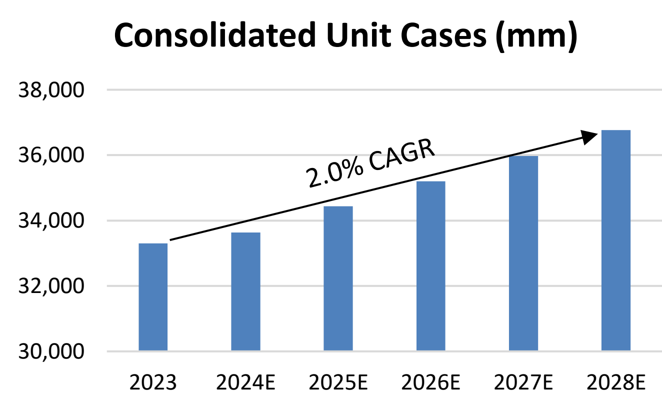
Given the company's maturity, focus on concentrate syrups, and limited capital oversight, Coca-Cola is a high-margin business. Gross margins consistently range between 60-70% and net margins around 23%. While higher inflation in the United States and abroad has slightly lowered profitability in recent years, the company still touts itself as one of the strongest companies among its peer group. On a consolidated basis, more normalized inflation in the United States and Europe and volume momentum in Latin America will help margins return to pre-pandemic levels. However, limited volume growth and less pricing power will cause gross margins to fall short of analysts' expectations. The following chart shows the company's margins from 2023 to 2028.

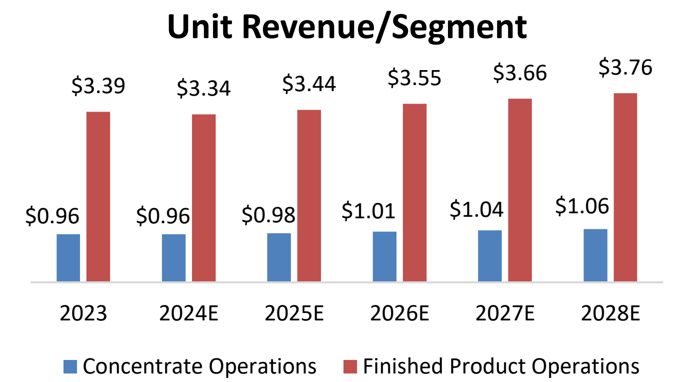


Source: KO 10-Ks and Henry Fund Estimates

Revenue Decomposition

Given its importance as an industry metric, unit case volume was used as the foundation for revenue forecasts. Using management's guidance for consolidated volumes and historical trends of segment-level revenues, unit revenue was calculated as the quotient between these two figures (e.g., $26.539bn revenue/27.639bn unit cases sold = $0.96 per case). This information was then forecasted and rolled up to determine total revenues. The following charts show consolidated unit case volume and unit revenue from 2023 to 2028.





Source: KO 10-Ks and Henry Fund Estimates

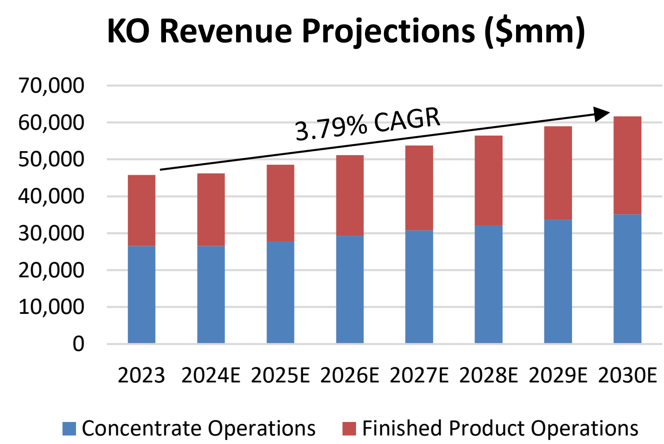
Industry analysis suggests that volume growth will be muted in the next fiscal year driven by the rise of "healthy" soda brands and weaker economic activity from lower-income individuals. Thus, the Henry Fund (HF) anticipates volume growth to slow to only 1.0%. However, as world economies recover from inflationary environments, volume should rebound quickly, peaking at 2.4% growth in 2025. Above-average growth of 2.0-2.5% should continue through the decade due to more sophisticated marketing initiatives, reinstated partnerships with sporting events, and strong market share. By 2033, growth should normalize around 1.0%. Unit revenues are expected to grow in line with worldwide inflation levels of 2.2-3.2% through 2026, before falling to 2.0% thereafter.

Concentrate Operations

Since 2018, concentrate operations have occupied 82-83% of unit case volume, benefiting from higher operating margins due to lower production costs.[6] Revenues are primarily driven by away-from-home expenditures, particularly at restaurants or sporting events. This reliance posed challenges in 2020, when the pandemic led to a -5.4% decline in unit case volume and a -9.4% drop in revenues. Today, growth is much more predictable given the company's longstanding relationship with these partners. The HF predicts volumes will remain at 82.5% of total cases over the forecast horizon. On the other hand, pricing power is much more volatile and is largely dependent on economic activity. In 2024 the HF anticipates unit revenues to drop by -0.5% due to cooling inflation in the United States, Europe, and Asia Pacific.[7] These revenues will rebound quickly, however, to +2.5-3.0% in 2025-2027 with stronger economic activity in Europe and heightened demand for food service.

Finished Product Operations

Since finished product operations consist of fully packaged beverages sold to retailers or distributors, annual volumes are much lower at 17-18% of consolidated unit sales. Lengthier production times result in higher production and shipping costs, making this operating segment susceptible to supply chain constraints. This was particularly evident during COVID-19 when unit revenues dropped over 15%.[6] Since then, this segment has recovered quickly but faces greater volatility than concentrate operations. Since 2017, unit revenue has grown at an average rate of 5.3% per year.[6] The HF anticipates unit prices to grow in line with concentrate operations, falling -1.5% in the next year but peaking at +3.0% in 2026.[8] This growth will largely be driven by the company's Latin America and North America segments. Colas, sparkling drinks, juices, water, and energy drinks represent 80% and 70% of the company's addressable market in these areas, with over 50% of customers coming from at-home channels.[3] Analysts expect upwards of 7% growth from these regions through 2027 but given evidence of a weaker low-income consumer, the HF believes this growth is too optimistic. The following chart shows the company's revenue projections through 2030, with concentrate operations growing at 3.56% CAGR and finished product operations growing at 4.11%.



Source: KO 10-Ks and Henry Fund Estimates

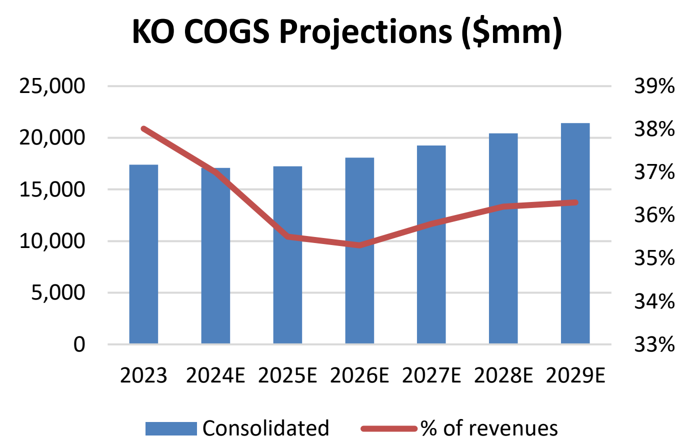
Cost Structure

COGS

The company's cost of goods sold includes expenses related to the movement of goods from manufacturing locations to distribution centers, hedging losses (gains), and its supply chain finance program (SCF). Most suppliers have a generous 120 days to repay Coca-Cola for any outstanding receivables. However, if they are unable to meet this deadline, the SCF program allows suppliers to take a short-term loan using Coca-Cola's credit rating, which commonly results in more favorable terms.[6] The current value of these receivables is slightly higher than normal at 8% of its total COGS, but management expects a majority of this will be recouped by the end of the year.

Historically, COGS has been the company's largest expense at 31-39% of revenues. Due to high input cost inflation, these values have been near 39% of revenues over the last two years, but analysts expect this to reach below-average levels of 35% by 2025. The HF agrees with analyst sentiment in the long term but expects costs to be slightly higher at 37.0% and 35.5% in 2024-25, due to higher shipping costs in Europe and foreign exchange rate headwinds.

Given the maturity of Coca-Cola's production line, minimal economies of scale will be achieved over time. While production efficiencies through artificial intelligence can help eliminate waste and optimize shipping routes, the HF anticipates these impacts will be relatively minimal, and long-term COGS will remain at 36.5% of revenues. The following chart shows the company's COGS projections through 2029.



Source: KO 10-Ks and Henry Fund Estimates

SG&A

Selling, general, and administrative expenses are the company's second-largest expense at roughly 30% of revenues and primarily consist of selling and distribution expenses, advertising expenses, stock-based compensation, and refranchising bottling locations (BIG). The use of artificial intelligence (AI) is already making a significant impact on this segment by pushing more personalized marketing to localized areas based on daily orders and market data. In April, the company extended its agreement with Microsoft to use the Microsoft Cloud for its generative AI capabilities.[6] Initial data has already suggested that customers are 30% more likely to purchase the SKUs recommended by the model.[7] While the HF predicts that Coca-Cola will look to implement AI further, these cost savings will be largely offset by the reacceleration in freight shipping costs around the world and investments in data storage and training capacity.[9] The team anticipates that SG&A expenses will hit a low of 29.5% of revenues in 2026, driven by ongoing refranchising efforts, before stabilizing at 30.5% by 2030 due to increased corporate salaries and advertising costs. These forecasts are generally in line with analysts' expectations.

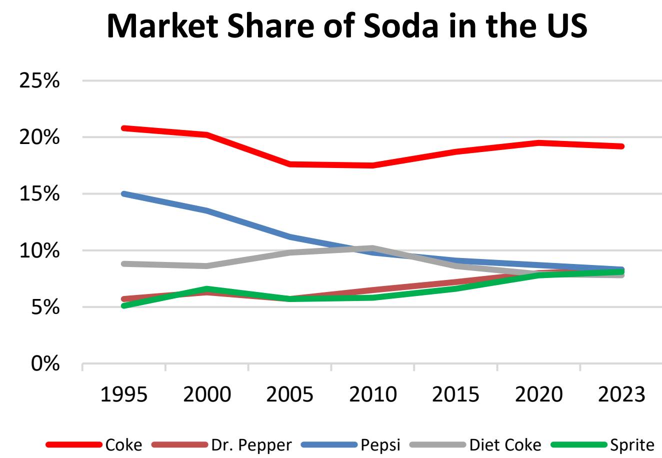
Other Operating Charges

Other operating charges in 2023 consisted of the remeasurement of the fair value of the Fairlife (fairlife) acquisition in 2020, an internal expense related to the company's productivity and reinvestment program, and the discontinuation of certain manufacturing operations in the Asia Pacific. Historically, over 90% of these expenses relate to the remeasurement of previous acquisitions and are roughly 2-4% of sales in aggregate. Given the most recent 10-Q, these charges are expected to be elevated in 2024 and are forecasted at 3.8% of revenues. By 2025, these charges should normalize to 1.5-2.0% of revenues through the forecast horizon.

Additional Company Analysis

Market Share

Coca-Cola's market share can be summarized in one word – dominant. In North America and Latin America, it has at least a 20% market share in all drink categories, and over a 50% market share in soft drinks in EMEA and Asia Pacific.[3] In North America alone, Coca-Cola holds the top market share in sparkling soft drinks, juice/dairy products, and holds the second largest market share in water/sports drinks and energy drinks as of 2023.[10] PepsiCo, the maker of Pepsi, has long been considered Coca-Cola's strongest rival but has lost share in recent years due to consumers preferring other Pepsi products (Pepsi Zero Sugar) and advertising focused on its food segments. On the other hand, Dr. Pepper, made by Keurig Dr. Pepper, has been gaining share, driven by more creative product offerings and stronger popularity among younger consumers. The following chart shows the change in market share of the top five sodas in the United States since 1995.



Source: WSJ, Beverage Digest
Note: Coke, Diet Coke, and Sprite are Coca-Cola brands.

Bottler Network

With operations in over 200 countries and territories, Coca-Cola relies on a harmonized supply chain to stay competitive globally. Coca-Cola's network is the largest in the industry, partnering with over 200 bottlers to supply its products to roughly 31 million retail locations. This equates to roughly 2.2 billion daily servings, or 800 billion servings annually.[7] These independent bottlers operate under contracts to produce, advertise, and distribute products, with the Coca-Cola Company often holding equity stakes in them. As the map shows below, Coca-Cola's bottling partners span nearly all major markets, ensuring efficient distribution to customers. In each of the last seven fiscal years, these 20 bottlers accounted for roughly 70% of the total unit case volume.[6]

Furthermore, many of these partnerships are deep-rooted, having been in place for well over 30 years.[3] Improvements continue to be made with roughly $35 billion spent on improved marketing initiatives and capital expenditures over the last five years. These investments will continue to bring greater efficiency to the organization by advancing its digital footprint. So far, these investments have brought $2.5 billion in savings in procurement and inventory management. The HF views this network as a significant competitive advantage, allowing the company to supply the best mix of products to its customers as soon as possible.

Source: Coca-Cola Investor Day Presentation 2024
**Some bottling entities are independent of Coca-Cola, in which The Coca-Cola Company owns a minority interest.*

Debt Maturity Analysis

Coca-Cola is a mature company that carries a substantial amount of debt on its balance sheet. Despite its above-average debt-to-equity ratio, the company has made significant progress in reducing its leverage. From 2017 to 2023, Coca-Cola's debt-to-equity ratio improved from 3.63 to 2.56x by using its excess cash to extinguish outstanding debt in foreign currencies. The company carries a credit rating of A+ from S&P and is tied with Pepsi as the highest in its peer group. For companies in the industry that carry a credit rating, all have investment grade status, with Keurig Dr. Pepper being the lowest at BBB.[8]

As of 2023, Coca-Cola had outstanding debt in several vehicles with tenors ranging from one to 75 years, and small balances (<$3bn total) of loans, notes payable, and commercial paper borrowings. Its long-term debt includes US dollar notes and debentures, Australian dollar notes, Euro notes, and Swiss franc notes.

	Amount ($mm)	Avg. Rate
US notes (2024-2093)	$21,982	3.2%
US debentures (2023-2098)	788	4.8%
Australian dollar notes (2024)	374	2.7%
Euro notes (2024-2041)	12,888	2.7%
Swiss franc notes (2028)	684	6.0%
Other (2023-2098)	1,763	8.1%
Fair value adjustments	(972)	
Total long-term debt	**$37,507**	**3.4%**

Source: KO 2023 10-K

Coca-Cola maintains a solid financial position, with a current ratio of 1.1x, an interest coverage ratio of 7.4x, and a net debt leverage of 1.7x (a seven-year low).[8] Coca-Cola is outperforming its competitors across all financial metrics, benefiting from a well-diversified currency exposure, with all debt held at fixed interest rates. Its capital structure remains robust, supported by consistent dividend growth of $0.04-$0.10 per year, ongoing share repurchases, and strategic capital expenditures. The HF is confident in the company's ability to repay its debt and can afford to operate in a state with higher operating leverage. The following table represents the company's five-year debt maturity schedule.

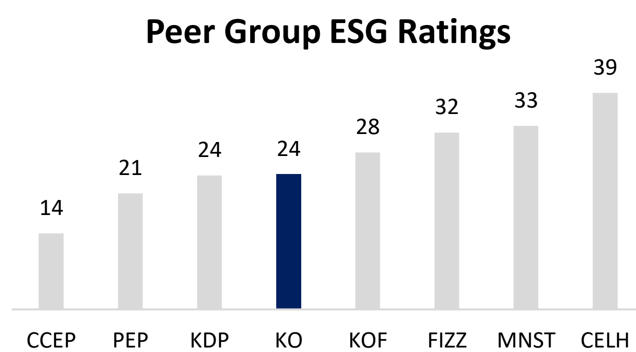
Five-Year Debt Maturity Schedule

Fiscal Year	Payment ($mm)
2024	$1,000
2025	0
2026	1,613
2027	4,607
2028	2,821
Thereafter	13,159
Total	$23,200

Source: FactSet

ESG Analysis

Below is a distribution of ESG ratings among Coca-Cola's competitors. Ratings between 20 and 30 are considered "medium" risk, while ratings above 30 are "high" risk.



Source: Sustainalytics

The most common ESG issues faced by this industry include the health risks of their products and using more sustainable packaging methods. As the chart displays, Monster Beverage and Celsius Holdings have the highest risk due to their focus on energy drinks. Coca-Cola is average compared to its competitors and is only considered a "medium" risk. However, one of Coca-Cola's subsidiaries – Coca-Cola Europacific Partners – has the best ESG rating among the peer group and within the Food Products industry.[11]

Coca-Cola's biggest ESG risk relates to environmental initiatives, especially in its use of plastic. In the last fiscal year, Coca-Cola used 2.83 million metric tons of plastic in its production, which is 3.6% higher than its level in 2021. However, management continues to strengthen its commitment to sustainability by implementing initiatives such as ensuring 90% of its products use recyclable packaging, expanding its assortment of reduced-sugar drinks, and returning over 100% of the water used in production to the environment. Overall, the Henry Fund does not consider ESG a threat to the company's operations.

RECENT DEVELOPMENTS

Recent Earnings Announcement

On July 23, 2024, Coca-Cola released its second-quarter results for the 2024 fiscal year. The company reported net revenues of $12.4 billion, for a surprise of +5.0%, with earnings per share (EPS) of $0.84 for a surprise of +4.2%.[7] The stock was relatively unchanged on the news, rising 0.3% on the day, but has continued its momentum by rising over 9.5% since the announcement. The release marked the 19th straight quarter in which Coca-Cola has beat EPS expectations, and the 16th straight quarter for beating revenue expectations.[8] Key takeaways from the earnings call included:

- 7% comparable EPS growth despite 10% currency headwinds and 2% headwinds from bottler refranchising
- Organic revenues grew 15% YOY, with comparable operating income growing 18%
- Mixed external environment in China, North America, and Europe, with pressure on away-from-home sales volumes
- Mid-single-digit volume growth in Africa despite inflation concerns in Nigeria
- 20% volume growth of Coca-Cola Zero Sugar in Latin America

Management also positively revised its guidance for the remainder of 2024. Organic revenue growth is expected to be 9-10% (+2%) and comparable EPS growth of 5-6% (+1%). Currency headwinds of 8-9 points on EPS are expected to remain in line with the first half of 2024 due to high inflation in Nigeria and Argentina. Unit case volumes and concentrate shipments are projected to remain consistent with first-half performance, which reflects a more optimistic outlook given that the third and fourth quarters typically experience lower volumes.[7] Back in February, management also announced a $0.12 increase in the company's dividend, raising it to $1.94 from $1.84 annually.[12] Analysts in turn have revised their estimates upwards, and expect 10.1% organic revenue growth, $46.1 billion in revenue, and $2.69 in EPS for the 2024 fiscal year.

The Henry Fund remains less optimistic than management and analyst consensus due to several factors including volume pressures and the competitiveness of healthy alternatives in the soda market. Growth expectations are above historical trends, and given the uncertain economic backdrop, lower-income consumers may look to purchase more affordable options. Thus, the team predicts unit case volume will only grow +1.0% YOY (vs. +2.0% consensus), thereby missing revenue estimates by -0.50% and EPS estimates by -0.35% ($0.01). Pockets of high inflation will cause COGS to remain slightly elevated at 37% of revenues, but lower inflation in major markets will generally improve profitability by 100-200 bps. The company has also issued a significant amount of debt in the last year, which the HF anticipates will reach an all-time high of $44.2 billion in 2024 (+$1.1 bn from 2023). This will keep the company's interest expense elevated at $1.5 billion, hurting its profitability and liquidity.

IRS Tax Litigation

Coca-Cola is currently in a major lawsuit with the IRS that could force the company to pay up to $16 billion ($3.71/share) in back taxes for hiding "astronomical levels" of profit in low-tax jurisdictions through its overseas subsidiaries.[13] The lawsuit dates to income reported by the company from 2007 to 2009 that should have been higher from foreign transfer pricing. A judge has recently ruled against Coca-Cola requiring it to repay a portion of this amount ($6 billion, $1.39/share), but Coca-Cola has announced its plans to appeal the ruling.[14] Management expects the case to be resolved within the next 18 months, and legal experts anticipate the final ruling may go either way.

If fully convicted, the ruling could wipe out over a year and a half of profits, severely disrupting its liquidity. The company has already raised over $4 billion of long-term debt this year in preparation.[15] Given the drawn-out nature of this lawsuit and the historical success of corporations in these cases, the Henry Fund forecasts that Coca-Cola will avoid any repayment in back taxes. However, in the event of repayment, the team predicts the company will only need to repay half of this amount ($8bn) in 2025 and is tested under the model's scenario analysis.

Acquisitions and Partnerships

Coca-Cola has made several acquisitions and partnerships with various beverage brands and sporting events. These also include significant equity investments in partners that operate as an independent enterprise, such as Coca-Cola Europacific Partners; Coca-Cola FEMSA, S.A.B. de C.V. (Latin America); and Coca-Cola Bottlers Japan Holdings.[6]

The company made an initial cash investment of $2.15 billion in 2014 and currently holds a 20% equity stake in Monster Energy.[16] The agreement was Coca-Cola's first exposure to the energy drink industry and allows Monster Energy to use Coca-Cola's expansive distribution network. Monster is the only non-Coca-Coca-affiliated brand in which Coca-Cola has less than 50% ownership.

In January 2019, Coca-Cola acquired Costa, an England-based coffee business with operations in over 30 countries, for $5.1 billion.[17] The following year, Coca-Cola acquired fairlife for $980 million, a Chicago-based milk and protein shake business. Coca-Cola held a 42.5% stake in fairlife before the acquisition.[18] And most recently in 2021, Coca-Cola acquired BA Sports Nutrition, the producer of BodyArmor, Smartwater, and vitaminwater, for $5.6 billion in cash. Coca-Cola held a 15% stake in BA Sports Nutrition before the acquisition.[8] The Costa and fairlife acquisitions were completed using a combination of cash and debt financing. Since then, Coca-Cola has not made any additional acquisitions, and management has made no mention of plans for the near future. In total, Coca-Cola has 8 one-billion-dollar brands in its portfolio via acquisition.

Recent Coca-Cola Acquisitions

Source: KO Q2 2024 Investor Day Presentation

In addition to mergers and acquisitions, Coca-Cola also has an extensive network of partnerships for advertising and brand awareness purposes. The most recent of these partnerships was with Oreo creating a limited edition, Coca-Cola-flavored cookie.[19] The offering also marks the first time Coca-Cola has placed its trademark on a food product. The backbone of the company's partnerships, however, stems from the sports and entertainment industry. Coca-Cola has been the leading beverage sponsor for the Olympics since 1928, NASCAR since 1998, the NCAA since 2002, the men's and women's FIFA World Cup since 1978, and several other professional teams across all sports.[20] In the entertainment industry, Coca-Cola sponsors several concerts and trademark rights with movie production companies.[20]

The HF believes acquisitions and partnerships are a reliable source of brand diversification and advertising to potential customers. The valuation model assumes no acquisitions/divestitures over the forecast horizon due to the uncertainty of these cash flows and their general net-zero impact. The company's exposure across several markets is among the best in the industry and will continue to generate a competitive advantage for years to come.

INDUSTRY TRENDS

Healthy Drink Alternatives

Over the last 20 years, obesity has become a serious issue in America. With 74% of Americans being considered overweight or obese, the need for healthy alternatives has become a necessity.[21] Furthermore, according to a Harvard University study from 2023, the number of young Americans consuming at least one sugar-sweetened beverage per day has decreased from 80% to 61%. This trend has led to an influx of competitors in the healthy beverage space, including brands like Olipop, Poppi, Wave Soda, and Bai.[22]

These products are popular too, with Olipop on track to record over $500 million in sales this year.[23] Although there is little research to support many of the claims that these products "improve gut health," are "non-GMO," or are "naturally sweetened," many health-conscious consumers are still willing to buy them. Coca-Cola only offers one product under this line, Topo Chico Sabores, which has 15 calories and 0 grams of sugar per can. The HF views this trend to be the biggest risk to the company as consumers opt for more healthy options. Coupled with the expansion of glucagon-like peptide-1 (GLP-1) weight-loss drugs, demand for Coca-Cola products will likely underperform in the long term. The following table summarizes the nutritional facts for one 12-ounce can of each product.

Brand	Calories	Sugar (g)
Coca-Cola	140	39
Pepsi	150	41
Sprite	140	38
Dr. Pepper	190	38
Mountain Dew	170	46
Olipop	45	5
Poppi	25	5
Wave Soda	25	6
Bai	10	1

Source: National Institute of Health

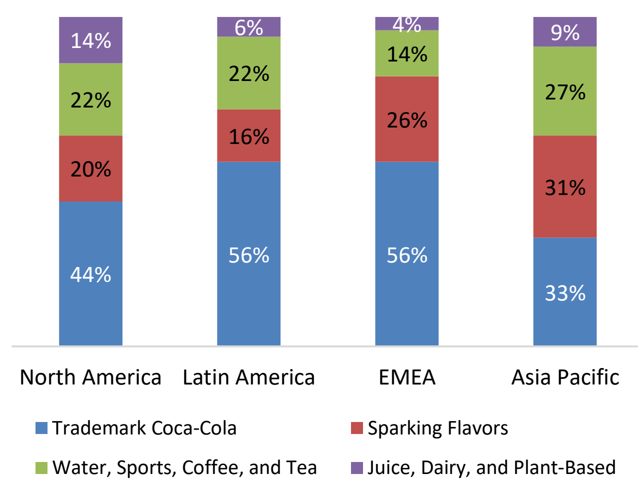
Health-Conscious Consumers

As the number of overweight individuals continues to rise, so have cases of Type 2 diabetes. Common medications used to treat Type 2 diabetes and aid in weight loss are GLP-1s, which have seen over 4.2 million prescriptions for roughly 1 million patients dating back to 2018.[24] Three of the most popular medications on the market in this medication class include semaglutide (Ozempic and Wegovy), dulaglutide (Trulicity), and tirzepatide (Mounjaro), which require prescriptions. Clinical trials have proven the success of these medications, finding that they can help people lose up to 15-20% of their original weight.[25]

Due to the way GLP-1 medications work, patients often experience decreased appetite and less cravings for sugary drinks.[24] Recent studies have determined that for individuals who drank soda at least three times a week before taking GLP-1 drugs, 77% reported decreased consumption or quit entirely. These trends extend to coffee as well, with 24% of daily drinkers reporting they consume less while on the medication.[26] However, their cravings for protein increase, particularly white meat and dairy, potentially benefiting the company's fairlife line of products. Nevertheless, the demand for dairy products is primarily seen within North America, with its broader category only representing 14% of volumes in the last fiscal year.

Compared to roughly 50% for carbonated soda, the HF anticipates the decline in sugary beverages will more than offset any increase in dairy products. While Coca-Cola is diversified in its beverage portfolio, the core business model remains with carbonated soda. Medical professionals agree the demand for these medications will continue to expand, which the HF considers the most significant threat to the company's popularity over the next decade.

Unit Case Volume by Product Category ('23)

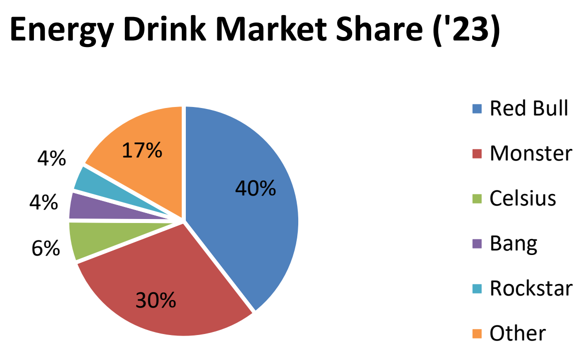


Source: KO Investor Relations

Alternative Beverages

Hard drinks have surged in popularity over the last five years and are becoming increasingly preferred to cocktails in social settings. Coca-Cola only manufactures a couple of these products through Simply Spiked and Topo Chico, but also has partnerships with Jack Daniels and Bacardi.[27,28] There is significant competition in the hard seltzer market, with White Claw and High Noon dominating the market share in the United States. Driven by more health-conscious consumers, the growth of these products is expected to be dramatic, with a CAGR of 13.6% in the US and 43.7% in Europe through 2030.[29]

Energy drinks have also been one of the fastest-growing categories in the beverage industry (12.2% CAGR since 2018) and are a primary source of caffeine for many individuals. According to the National Center for Complementary and Integrative Health, energy drinks are the most popular dietary supplement for Americans between the ages of 18-34, next to multivitamins. [21] As of 2023, there are currently 83 different brands of energy drinks on the market, with Coca-Cola only having a stake or ownership in 6 of them.[30] With several smaller brands having flooded the market, Red Bull and Monster's market share has dwindled since 2018 (Red Bull -4%, Monster -10%). Nevertheless, Red Bull has seen tremendous growth during this period, increasing its revenue at a 13.7% CAGR. The following pie chart shows the market share of energy drinks in the United States.



Source: Statista
**Coca-Cola does not own any of these brands but holds a 20% stake in Monster, which owns Bang*
***PepsiCo owns Rockstar and a 9% stake in Celsius*

The HF sees energy drinks as a potential growth driver for Coca-Cola in the future, as many smaller brands look to consolidate their operations under a multinational company. Due to high levels of competition within the alcohol industry, and its divergence from Coca-Cola's core values, the HF believes it should not pursue the hard seltzer market. Energy drinks, however, have been frequently discussed by management, and with its largest stake only positioned through Monster Energy, the team believes this market presents an attractive opportunity for future mergers and acquisitions.

MARKETS AND COMPETITION

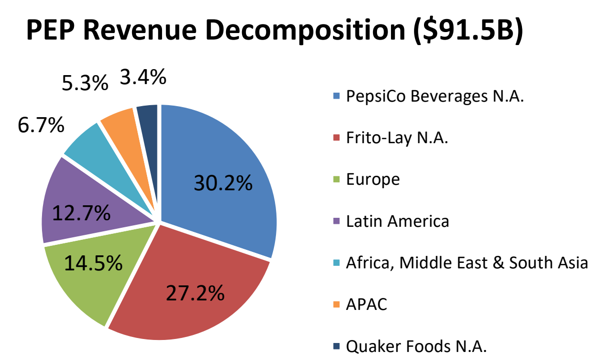
The beverage industry is largely structured as an oligopoly with Coca-Cola (42%), Pepsi (27%), and Keurig Dr. Pepper (23%) dominating the market share.[31] However, consumer trends have led to the rise of more niche companies, such as Celius Holdings, Monster Beverage, and National Beverage Corporation. Each of these firms typically target the same consumer and operate on a similar scale. Below is a table summarizing key statistics among Coca-Cola's peer group.

	Market Cap ($bn)	Sales ($mm)	Gross Margin	Net Margin	NFY P/E	ROA
Pepsico, Inc.	242.9	91,471	54.5%	9.9%	21.8	9.4%
Keurig Dr. Pepper, Inc.	50.9	14,814	51.4%	14.7%	19.4	4.2%
Coca-Cola Europacific Partners	37.3	19,787	35.9%	9.1%	18.5	5.7%
Coca-Cola Femsa SAB de CV	18.9	13,815	45.5%	8.0%	15.7	7.2%
Celsius Holdings, Inc.	8.1	1,318	47.8%	17.2%	32.8	16.4%
Monster Beveage	50.0	7,140	53.1%	22.8%	30.0	18.1%
National Beverage Corp.	4.3	1,192	36.9%	14.8%	22.3	26.1%
Peer Average	**58.9**	**21,362**	**46.4%**	**13.8%**	**22.9**	**12.4%**
Coca-Cola Company	**309.4**	**45,754**	**62.0%**	**23.4%**	**26.5**	**10.2%**

Source: FactSet

PepsiCo (PEP)

PepsiCo has long been Coca-Cola's strictest competitor through their line of carbonated sodas, as well as product offerings including Mountain Dew, Starry (formerly Sierra Mist), Mug Root Beer, Gatorade, and Aquafina.[31] The company also has a strategic partnership with Starbucks by producing the company's ready-to-drink beverages that are sold in stores. PepsiCo's key differentiator from Coca-Cola is its food and snack business, overseeing the brands of Frito-Lay and Quaker Foods.[32] In the last fiscal year, 59% of the company's net revenue came from its snack business, with the remaining 41% coming from beverages. Furthermore, the company has 23 one-billion-dollar brands, compared to 20 for Coca-Cola. PepsiCo's products are sold in over 200 countries and territories, with 57% of revenues being generated from within the United States.[8]

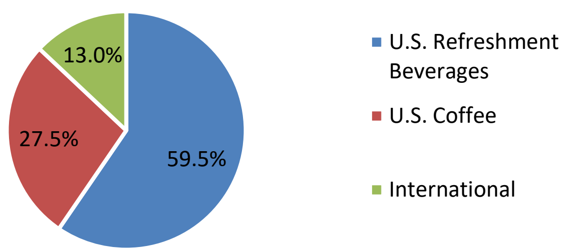


Source: FactSet
N.A. = North America

Keurig Dr. Pepper (KDP)

Keurig Dr. Pepper is the third largest player in the beverage industry and is most known for its Dr. Pepper, A&W Root Beer, Canada Dry, Snapple, and Keurig coffee brands.[8] As mentioned previously, Dr. Pepper has gained immense popularity among younger generations and has overtaken Pepsi as the second most popular soft drink in the United States.[33] Similar to Coca-Cola, the company only focuses on beverage products and divides its operations into three segments – U.S. Refreshment Beverages, U.S. Coffee, and International. Last fiscal year, 87% of its revenues were generated within the United States.[8]

KDP Revenue Decomposition ($14.8B)

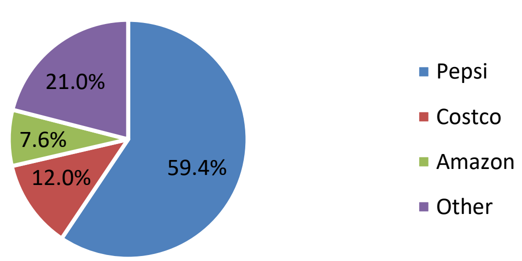


Source: FactSet

Celsius Holdings (CELH)

Celsius Holdings is an extremely fast-growing company within the energy drink business. The company offers a wide variety of ready-to-drink caffeinated beverages and powder packets. 100% of Celsius' products are sugar-free and have been a popular choice among health-conscious consumers. In 2022, PepsiCo made a $550 million investment into the company's preferred shares, giving them an 8.5% ownership stake.[34] The agreement will allow Celsius to use PepsiCo's distribution system along with the company's guidance in expanding its long-term growth. There have been no comments from PepsiCo on its plans to acquire Celsius' operations. Celsius divides its operations into four segments – Pepsi, Costco, Amazon, and Other – and generated 96% of its revenues within the United States last year.

CELH Revenue Decomposition ($1.3B)

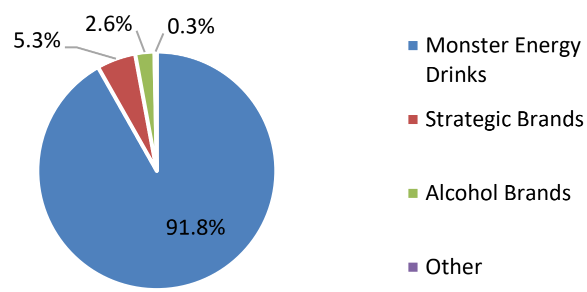


Source: FactSet

Monster Beverage (MNST)

Monster Beverage Corp. is one of the original energy drink brands and has the second-largest market share behind Red Bull (privately held). The company also oversees several smaller caffeinated beverage companies, including Nos, Reign, and Bang, and has a small line of alcoholic products. As mentioned previously, Coca-Cola invested $2.15 billion in Monster in 2014 and currently owns a 20% stake. The partnership is analogous to Celsius and PepsiCo, in which Monster is entitled to use Coca-Cola's distribution system and receive oversight in its growth strategy. Monster divides its operations into four segments – Monster Energy Drinks, Strategic Brands, Alcohol Brands, and Other – and generated 60% of its revenues within the United States last year.[8]

MNST Revenue Decomposition ($7.1B)

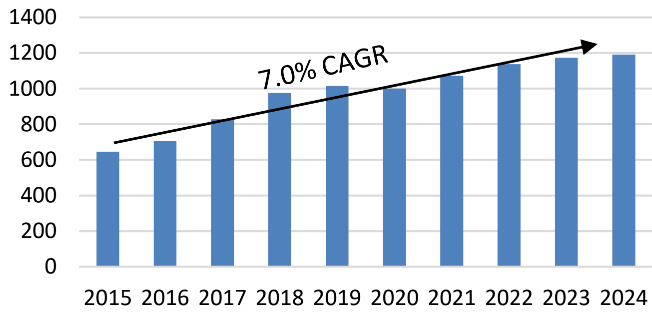


Source: FactSet

National Beverage Corp. (FIZZ)

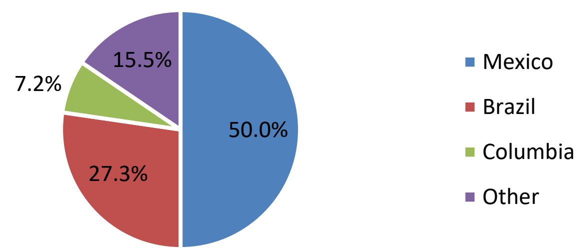
National Beverage Corp. is a diversified beverage producer that offers sparkling water, juice, energy drinks, and carbonated soda. Some of the company's most popular brands include La Croix, Clear Fruit, Shasta, and Faygo.[8] Although the company is small in comparison to Coca-Cola and Pepsi, the company has partnered with Inter Miami CF, San Diego Wave FC, and the Kansas City Current, three professional soccer teams in the United States.[35] Management also announced the company will be reinstating its dividend for the first time since 2021 at $3.25 per share annually.[36] The company only has one operating segment – Flavored Beverages – and generated 93% of its revenues from within the United States last fiscal year.[8]

FIZZ Revenues ($mm)



Source: FactSet

KOF Revenue Decomposition ($15.2B)

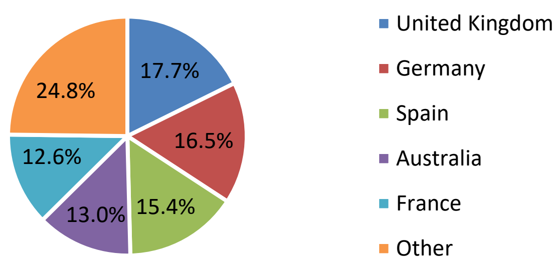


Source: FactSet

Coca-Cola Europacific Partners (CCEP)

Coca-Cola Europacific Partners is an independent subsidiary of Coca-Cola and manages the distribution and sale of Coca-Cola products in Western Europe, Southeast Asia, and Australia. The company is headquartered in Uxbridge, United Kingdom, and is Coca-Cola's largest independent bottler. CCEP is traded on numerous stock indices, including the London Stock Exchange and the Nasdaq. The company only has one operating segment – Non-Alcoholic Ready-To-Drink Beverages – and generated 18% of its revenues within the United Kingdom last year.[8]

CCEP Revenue Decomposition ($19.8B)



Source: FactSet

Coca-Cola FEMSA (KOF)

Similar to CCEP, Coca-Cola FEMSA is an independent subsidiary of Coca-Cola and manages the distribution and sale of Coca-Cola products in Mexico, Central America, and South America. As one of the fastest-growing geographical segments for Coca-Cola since 2021, KOF's stock price has greatly outperformed KO, generating an alpha of 28% during this time.[37] The company has three operating segments – Beverages, Services, and Other. Last fiscal year, 50% of its revenues were generated within Mexico.[8]

Peer Comparisons

The following peer comparisons will assess Coca-Cola across a variety of financial, operating, and valuation metrics. As values are representative of current market conditions or the company's last fiscal year end unless otherwise stated.

Financial Metrics

	Sales ($mm)	Gross Margin	Oper Margin	Net Margin	Inv Turnover
Pepsico, Inc.	91,471	54.5%	15.4%	9.9%	7.9
Keurig Dr. Pepper, Inc.	14,814	51.4%	21.6%	14.7%	5.4
Coca-Cola Europacific Partners	19,787	35.9%	12.8%	9.1%	8.5
Coca-Cola Femsa SAB de CV	13,815	45.5%	14.8%	8.0%	10.5
Celsius Holdings, Inc.	1,318	47.8%	20.2%	17.2%	3.4
Monster Beveage	7,140	53.1%	27.6%	22.8%	3.5
National Beverage Corp.	1,192	36.9%	19.2%	14.8%	8.5
Peer Average	**21,362**	**46.4%**	**18.8%**	**13.8%**	**6.8**
Coca-Cola Company	**45,754**	**62.0%**	**24.7%**	**23.4%**	**3.9**

	Current Ratio	DSO	Net Debt/EBITDA	ROA	ROE
Pepsico, Inc.	0.9	42	2.0	9.4%	50.9%
Keurig Dr. Pepper, Inc.	0.4	39	3.5	4.2%	~~8.6%~~
Coca-Cola Europacific Partners	0.9	59	3.1	5.7%	21.5%
Coca-Cola Femsa SAB de CV	1.2	33	0.8	7.2%	15.8%
Celsius Holdings, Inc.	~~4.3~~	35	~~2.8~~	16.4%	23.2%
Monster Beveage	~~4.8~~	56	~~1.6~~	18.1%	21.4%
National Beverage Corp.	~~3.9~~	32	~~1.3~~	26.1%	37.9%
Peer Average	**0.8**	**42**	**2.4**	**12.4%**	**28.5%**
Coca-Cola Company	**1.1**	**28**	**2.3**	**10.2%**	**41.5%**

Source: FactSet and Company Investor Relations
**Values crossed out are not included in the peer average.*

Based on the following metrics, Coca-Cola is best positioned among the peer group, emphasized by its higher margins. While Pepsi outperforms Coca-Cola in inventory turnover, leverage ratio, and return on equity (ROE), its profitability lags significantly, even when considering its higher-margin food segments. Coca-Cola's ability to generate and collect cash has been a strong point since the pandemic and is emphasized by its ability to have a current ratio above 1.0 and days sales outstanding below 30. Furthermore, Coca-Cola's Net Debt/EBITDA is trending near a 10-year low, and the HF expects this ratio to fall under 2.0x by FYE 2025. Overall, the HF views Coca-Cola's financial metrics as extremely healthy and expects it to continue outperforming its competitors.

Operating Metrics

	5Y CAGR Sales	5Y CAGR EBITDA	EPS Growth LFY	Div Yield NFY	Org. Rev. Growth NFY	Volume Growth NFY
Pepsico, Inc.	7.2%	5.9%	12.2%	3.1%	4.0%	0.0%
Keurig Dr. Pepper, Inc.	14.8%	~~15.1%~~	6.5%	2.3%	5.0%	1.0%
Coca-Cola Europacific Partners	7.8%	6.6%	10.8%	2.7%	4.0%	2.4%
Coca-Cola Femsa SAB de CV	7.8%	7.4%	10.6%	3.5%	12.0%	5.0%
Celsius Holdings, Inc.	~~90.4%~~	~~447.5%~~	~~187.5%~~	-	9.0%	-
Monster Beveage	13.4%	8.3%	~~37.5%~~	-	5.0%	~~8.0%~~
National Beverage Corp.	3.3%	5.2%	~~24.3%~~	7.1%	2.0%	0.5%
Peer Average	**9.1%**	**6.7%**	**10.0%**	**3.7%**	**5.9%**	**1.8%**
Coca-Cola Company	**7.7%**	**3.8%**	**8.5%**	**2.7%**	**9.5%**	**2.0%**

Source: FactSet and Company Investor Relations
**Celsius Holdings did not provide guidance on volume growth.*

Given the high-growth nature and diverse operating structures of Coca-Cola's competitors, several outliers were removed to normalize results. After these adjustments, Coca-Cola is still underperforming its competitors in several categories including sales, EBITDA, and EPS growth. Price/mix and volume growth are expected to be strong in Latin America and EMEA segments this year, helping drive outperformance in the short term. However, the HF views its anticipated 9.5% organic revenue growth rate to be unsustainable and will normalize at 3-5% over the long run. Although Coca-Cola has very healthy margins, competitors such as PepsiCo and Keurig Dr. Pepper are steadily improving and are positioned to match Coca-Cola in the next five years.

Valuation Metrics

	NFY P/E	NFY P/S	P/CF	EV/EBITDA
Pepsico, Inc.	21.8	2.6	19.3	10.2
Keurig Dr. Pepper, Inc.	19.4	3.3	31.3	13.5
Coca-Cola Europacific Partners	18.5	1.6	13.5	12.0
Coca-Cola Femsa SAB de CV	15.7	13.0	7.2	7.2
Celsius Holdings, Inc.	32.8	4.8	29.4	25.9
Monster Beveage	30.0	6.5	29.2	20.2
National Beverage Corp.	22.3	3.4	22.7	15.0
Peer Average	**22.9**	**5.0**	**21.8**	**14.9**
Coca-Cola Company	**26.5**	**6.6**	**28.0**	**25.4**

Source: FactSet and Company Investor Relations

Based on the following metrics, Coca-Cola appears overvalued against its competitors. In general, the industry is trading at a slight premium to the S&P 500 (20.0x), which is following historical trends for the broader consumer staples industry (23.0x). With this being said, the Henry Fund does not consider the relative valuation method entirely credible for Coca-Cola given its fundamentals. For a deeper analysis of the company's intrinsic value, please refer to the "Valuation Metrics" section below.

Future Outlook

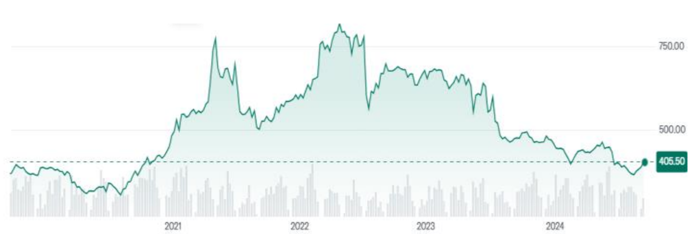
Overall, Coca-Cola's profitability and operational efficiency make it one of the top performers in its industry. The company is growing slower than some of its competitors but does not pose a threat given the company's scale and generally steady volume. Short-term growth expectations from management are lofty and will be challenging to meet in a bifurcated consumer environment. The company's stock has outperformed the S&P 500 YTD, which is uncharacteristic for Coca-Cola over the long term and emphasizes the Henry Fund's bearish outlook.

ECONOMIC OUTLOOK

Commodity Prices

Agricultural commodities such as corn and sugar play a significant role in the manufacturing of Coca-Cola's concentrates and syrups, and often use short-term futures contracts to lock in their value. In the event of high volatility, these contracts can be especially useful, but present risks if not properly hedged against one-directional movements. Due to supply constraints from Russia's invasion of Ukraine in February 2022, many commodities such as corn traded near all-time highs. This had adverse effects on Coca-Cola's gross margin but has since normalized in 2024. Production of corn, wheat, and soybeans are forecasted to be strong through 2025, driven by more favorable weather patterns, which should push corn futures under $400/bushel. Sugar is expected to remain flat, with rainier outlooks for Southeast Asia but dry conditions through Latin America.[38] In summary, the HF expects agricultural commodity prices to be favorable, helping improve gross margins in the short term.

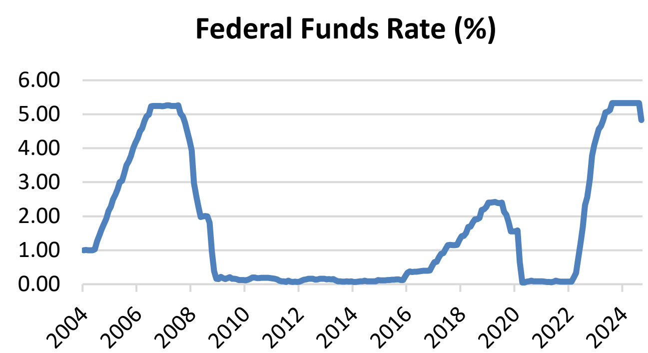
Chicago 6-month Corn Futures



Source: Yahoo! Finance

Federal Funds Rate/Yield Curve

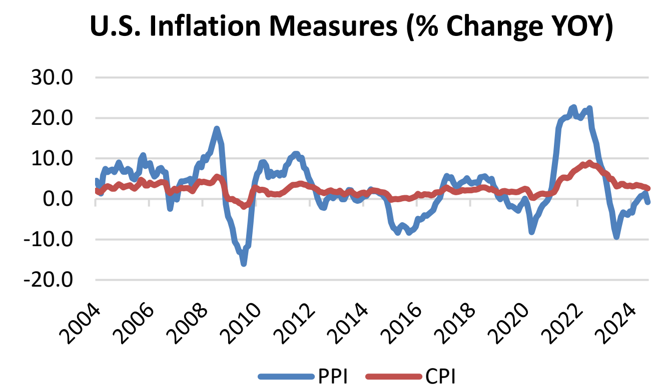
On September 18, 2024, the Federal Reserve lowered the Federal Funds Rate (FFR) by 50 bps to 4.75-5.00% for the first reduction since March 2020.[39] While the cut was anticipated, much debate led up to the decision on whether the Fed would cut by 25 or 50 bps. Markets are now expecting another 75 bps of cuts by the end of the year, bringing the FFR down to 4.00-4.25%. The Henry Fund remains more conservative and believes broader economic strength in GDP growth and inflation will only support another 50 bps of cuts. Given Coca-Cola's desire for leverage, sources of new debt will now be much cheaper, reducing its interest expense. Since the cut, 10-year yields have already fallen 80 bps to 3.70% since early June, with the HF anticipating a settlement at 3.90% in the next two years. The following chart shows the FFR dating back to 2004.



Source: FRED

PPI/CPI

The Producer Price Index (PPI) and Consumer Price Index (CPI) are the most prominent measures of inflation from the supplier (Coca-Cola) and buyer's perspective. The PPI is often used as a leading indicator of CPI as it implies the higher cost of manufacturing which can then be passed on to consumers. A key component of CPI includes food prices, which can be broken down further into food at home (grocery) and food away from home (retail). As of August 2024, food at home prices rose 0.9% YOY and food away-from-home rose 4.0% YOY, netting a 2.1% increase YOY. Overall CPI rose 2.5%, and PPI fell -0.8%.[40,41] As Coca-Cola mentioned during its Q2 2024 conference call, demand remains soft in many away-from-home channels and is driven in part by sticker inflation. To combat this, pricing power remains a driver for sustaining margins, seeing 7-13% growth in price/mix per quarter dating back to Q1 2022.[6] The Henry Fund anticipates the overall CPI to decline further to 2.3% in the next six months, before normalizing at 2.5% over the next two years. Further, PPI will continue to remain flat but stabilize near 2% over the next two years.



Source: FRED

VALUATION

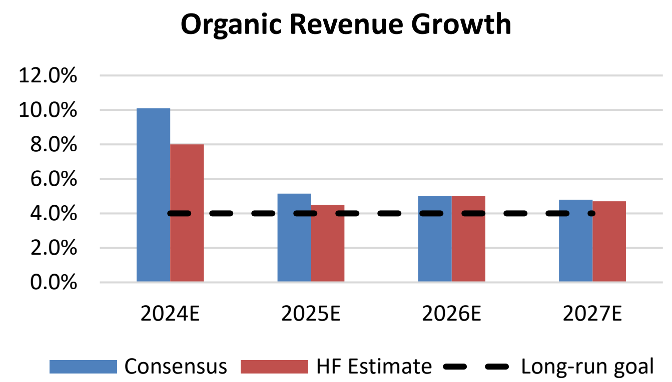
The following valuation uses a ten-year forecast horizon with a continuing value estimation in 2033. Coca-Cola is one of the oldest companies in the world and therefore is very stable with its long-term growth projections. The Henry Fund anticipates the company's Latin America segment will be a catalyst for growth through 2027, driven by sustained volume momentum via Trademark Coca-Cola products and an expanded bottler network in Mexico. However, softening consumer trends will likely continue, driven by more health-conscious consumers in the United States and Europe. Analyst growth expectations are lofty, exceeding historical standards by 3-4% in the short term. Coca-Cola's brand is one of its greatest assets, but its limited product offering may hinder its growth compared to more diversified companies like PepsiCo.

Organic Revenue Growth

Organic growth is a non-GAAP measure that reflects the total revenue generated by a company's core operations, excluding the effects of acquisitions, divestitures, and foreign exchange fluctuations. After experiencing a -9% decline in 2020, Coca-Cola has rebounded swiftly, achieving annual organic growth rates of 12-16%. Management considers the long-run growth for organic revenues to be between 3-5%, relatively in line with real GDP.[3] Analysts anticipate growth of 10.1%, 5.2%, and 5.0% over the next three fiscal years, significantly outpacing PepsiCo's projected growth of 3.6%, 4.1%, and 4.0%. Management expects organic growth to be 9-10% in 2024.

The Henry Fund views this growth outlook as overly optimistic for two key reasons: shifts in consumer preferences and rising competition. Today's consumers are vastly different from those a decade ago, with demand for sugary carbonated beverages declining year after year as more people choose healthier alternatives. At the same time, the market is becoming increasingly crowded, with new competitors emerging in categories such as soda, sports drinks, sparkling water, and energy drinks. Many of these products cater to younger consumers, who are more likely to turn away from Coca-Cola's offerings. Although this growth in smaller brands could create opportunities for mergers and acquisitions, such consolidations do not contribute to organic revenue growth. To grow its core product line, Coca-Cola will need more sophisticated advertising and pricing power, which will be harder to achieve in a less inflationary environment. The Henry Fund forecasts Coca-Cola's organic growth to be 8.0%, 4.5%, and 5.0% over the next three years.

Likewise, consolidated unit case growth will slow dramatically to 1.0% in 2024 and peak at 2.4% in 2025, before leveling off at 2.0-2.2% by 2029. Historical growth has also been strong since COVID, rising 7.9% in 2021, but the company's continuing value growth will be limited. Birth rates around the world continue to decline, and given Coca-Cola's immense size, it will be difficult to find new markets. Thus, unit case volume will only grow at 1% in perpetuity, generally in line with the world population.



Source: FactSet, Henry Fund Estimates

Balance Sheet and Capital Structure

Over 50% of Coca-Cola's current assets are in the form of cash and cash equivalents, short-term investments, and marketable securities. The Henry Fund anticipates this to continue as management awaits the decision of its case against the IRS, and is on track to reach over $20 billion by 2027, assuming no acquisitions take place. The single largest asset line item is "Equity and other investments" which represents the company's equity stake in its numerous subsidiary companies. This line item was forecasted to grow in line with the growth of these companies. Historically, subsidiary growth rates have exceeded Coca-Cola, averaging 4.5% over the last six years. The HF also expects this to continue, peaking at 5.8% in 2026 driven by higher activity in the Latin America and European regions. Capital expenditures have been roughly $1.5bn/year dating back to 2017, but analysts and management expect this outflow to grow to $2.4bn by 2028 as the company looks to reinvest more funds into the business. This will create greater efficiencies in inventory management, receivables collection, and artificial intelligence, thereby declining to only 7.0% and 9.0% of revenues in continuing value, respectively.

Debt is a significant portion of the company's liabilities, totaling 61% of these accounts in 2023. However, long-term debt has only been roughly 40% of non-cash assets historically, thereby allowing the company to maintain an A+ credit rating. Recent quarterly filings have indicated the initiation of over $3bn in long-term debt, so the HF anticipates this ratio will increase to 43% of non-cash assets in 2024. By 2027, however, the level of debt should return to historical levels, lowering the company's D/E to 2.3x. The HF does not consider the company's high leverage a threat to the business model.

Payout Policy

One of the most admired traits of Coca-Cola from an investor's perspective is its generosity in returning cash to shareholders. Dating back to 2017, the company has repurchased roughly $1.5bn in shares per year, while also maintaining a dividend payout ratio of 70-80%. In February 2024, management announced this year's dividend will be $1.94/share, a $0.12 increase from last year. The increase marks the 62nd consecutive year of the company increasing or maintaining its dividend.[7] Dividends have traditionally increased $0.04-0.08 per year. EPS growth will result in a lower payout ratio over time, normalizing at 60-65% by 2031. Meanwhile, the HF anticipates share repurchases will increase to $2.5-3.0 bn/year through 2027, before stabilizing at roughly $2.0 bn. Management has hinted at increasing the amount of share repurchases, highlighted by their tax incentives and flexibility each year. In the last fiscal year, the company repurchased $2.3 bn in shares, which was the highest outflow since 2017.

WACC

The Henry Fund arrived at the company's cost of equity using the 10-year YTM on Treasury bonds for the risk-free rate of 3.73%, an average beta of 0.45, and an equity risk premium of 5.00%. The beta was an average of the company's 1.5, 2, 2.5, 3, 3.5, and 4-year monthly and 2, 2.5, 3, 3.5, and 4-year weekly beta, removing the effect of outliers.[42] The pre-tax cost of debt was referenced from Bloomberg utilizing its proprietary new issuance framework. Equity market values and all sources of debt from the company's balance sheet were utilized for its weights, before arriving at the weighted average cost of capital of 5.68%.

Valuation Metrics

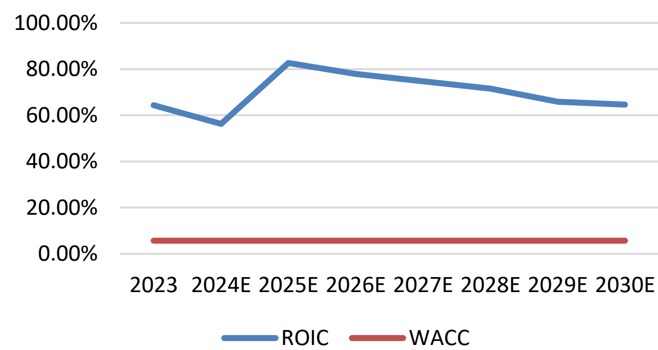
Using the above forecasts, assumptions, and investment thesis, an intrinsic value of $72.11 was calculated using the Discounted Cash Flow (DCF) and Economic Profit (EP) methods, a 1.6% upside from the current price. Key assumptions from this model resulted in the company's FCF growing at a CAGR of 8.4%, a continuing value growth of NOPLAT at 2.0%, and a continuing value ROIC of 67.6%.

The Dividend Discount Model (DDM) was derived using the company's historical payout ratio and annual increase of $0.04-0.08 per share. The model assumed a continuing value growth of EPS at 2.0% and ROE of 34.4%. This model resulted in an intrinsic value of $73.66, an upside of 3.7% from the current share price. Finally, a relative valuation was conducted using seven of the company's closest competitors, resulting in an intrinsic value of $62.30 per share.

The biggest drivers for this valuation stem from the company's ambitious growth expectations, increased competition, and a relative overvaluation. The rise of GLP-1 prescriptions threatens Coca-Cola's popularity and has resulted in many of its most popular beverages losing market share. Organic growth expectations of high-single-digits are not sustainable in the long term, making it easy for analysts to downgrade the stock's outlook. Further, its forward P/E is well above that of its competitors (26.6x vs. 21.0x for PEP) and its independent subsidiaries (16.0-18.0x for CCEP and KOF).

The Henry Fund believes the DCF/EP and DDM models are most representative of the company's stock given its strong financial health and commitment to returning cash to shareholders. Best-in-class margins will continue to help Coca-Cola weather any economic uncertainty and have been a major driver of the stock's success in 2H 2024. On the contrary, the company's product line is very focused on one item – nonalcoholic beverages – and prevents it from diversifying its revenue stream into food products like PepsiCo and Keurig Dr. Pepper. While the company has agreements with several fast-food chains (e.g., McDonald's, Burger King, and Chick-fil-A) to offer their drinks in stores, there are no products in which Coca-Cola is involved in directly producing. The HF considers this a risk to the company's long-term value proposition and may result in greater volatility in its revenue streams.

KO consistently generates shareholder value



Source: KO 10-Ks and Henry Fund Estimates

Sensitivity/Scenario Testing

As a final check of the strength of the DCF/EP model, several sensitivity and scenario tests were conducted on various operating and valuation assumptions. Overall, the model is very stable, with an average interquartile range between $67.73 and $77.71. The scenario tests were equally stable, resulting in an average price of $71.57 and a median price of $70.65.

The most volatile sensitivity test occurred between the company's marginal tax rate and the CV growth of NOPLAT. The marginal tax rate assumption has the highest potential impact in the short term, with the presidential election nearing in November and the expiration of tax mandates established during the Trump administration. If marginal taxes increase to 25% per year, the company's valuation immediately drops to $69.36 per share, a -2.3% downside from the current share price. Further, using inflation as a proxy for continuing value growth, minor adjustments to NOPLAT can cause the company's intrinsic value to vary by as much as $30 per share.

72.11	19.00%	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%
1.00%	62.78	62.00	61.22	60.43	59.64	58.85	58.06
1.33%	66.15	65.33	64.51	63.69	62.87	62.04	61.21
1.67%	70.20	69.34	68.48	67.61	66.75	65.88	65.00
2.00%	74.84	73.93	73.02	72.11	71.20	70.28	69.36
2.33%	80.39	79.43	78.46	77.50	76.53	75.55	74.57
2.67%	87.37	86.35	85.31	84.28	83.24	82.20	81.15
3.00%	95.83	94.73	93.62	92.51	91.39	90.27	89.14

Columns: Marginal Tax Rate; Rows: CV Growth NOPLAT

Source: Henry Fund Estimates

Another key sensitivity test analyzed the company's volume growth, highlighted by concentrate operations (C/O) proportion of annual volume and a delta to unit case growth. To summarize, over/underperformance of unit case growth has the biggest impact on share price, ranging from $62-84 per share. C/O have represented 82-83% of volumes for each of the last six years, but an expanding bottler network in Latin America could cause this proportion to increase in the future.

72.11	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
81.00%	63.39	66.80	70.37	74.08	77.96	81.99	86.20
81.50%	62.82	66.21	69.74	73.43	77.27	81.27	85.44
82.00%	62.25	65.61	69.11	72.77	76.58	80.55	84.69
82.50%	61.68	65.01	68.49	72.11	75.89	79.83	83.93
83.00%	61.11	64.41	67.86	71.45	75.20	79.10	83.17
83.50%	60.54	63.82	67.23	70.80	74.51	78.38	82.42
84.00%	59.97	63.22	66.61	70.14	73.82	77.66	81.66

Columns: Unit Case Growth Δ ('24-'33); Rows: C/O Vol. Proportion

Source: Henry Fund Estimates

Nine scenario tests were also conducted to analyze the impact of revenue over/underperformance, technological efficiencies, the FFR, capital expenditures, and potential litigation. The most notable of these results was the FFR by December 2024. Current projections indicate the FFR will be 4.25-4.50% at this time, but if the Fed is more aggressive in its cuts, the company's share price could rise to $75.19. On the contrary, if the Fed is more hawkish, its share price could drop as low as $65.41. Finally, if Coca-Cola is ultimately fined in its litigation against the IRS, its share price will most likely drop to $70.43 (assuming an expected fine of $8 billion, 50% of its maximum sentence of $16 billion).

Scenario	DCF/EP Value	
Revenue Outperform (Unit Rev +2%, COGS -0.5%, SG&A -0.5%)	$	78.42
Revenue Underperform (Unit Rev -2%, COGS +0.5%, SG&A +0.5%)	$	66.17
Technological Improvements (Unit Rev +1%, COGS -1%)	$	75.58
Stagnant Technology (Unit Rev -1%, COGS +1%)	$	68.75
4.50-4.75 FFR by '24 FYE (rf = 4.0%, ERP = 5.25%, rD = 4.7%)	$	65.41
4.00-4.25 FFR by '24 FYE (rf = 3.7%, ERP = 4.75%, rD = 4.4%)	$	75.19
Higher CapEx (CapEx +300mm/yr, Dep. Rate +3%)	$	70.65
Lower CapEx (CapEx -300mm/yr, Dep.Rate -2%)	$	73.53
IRS Tax Litigation ruling ('25 income tax +$8bn)	$	70.43

Source: Henry Fund Estimates

KEYS TO MONITOR

Going forward, the company's ability to generate organic revenue growth through its various geographic segments will be key in outperforming its competitors. Coca-Cola has some of the healthiest financials in the industry and a strong history of returning cash to shareholders. As one of the most recognizable brands in the world, its ability to maintain market share reduces downside risk, but its concentration in the beverage industry may make it difficult to outperform some of its more diversified competitors.

Shifting consumer trends, overly optimistic growth expectations from analysts, increased competition from "healthier" sodas, and a rise in GLP-1 medications present the biggest headwinds. The company's performance over the last year has largely been driven by a flight-to-quality by several institutional investors. Its P/E ratio currently trades above that of its closest competitors and independent subsidiaries, indicating a mean-reversion is likely to occur if management cannot deliver perfection in earnings reports. These factors, coupled with a softening consumer environment in North America and Asia, lead the Henry Fund to a **BEARISH** outlook.

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DISCLAIMER

The Coca-Cola Company

Revenue Decomposition

in millions (mm)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue by Segment													
Concentrate operations	21,799	24,071	26,539	26,510	27,825	29,290	30,742	32,204	33,637	35,099	36,588	37,954	39,100
growth	*17.3%*	*10.4%*	*10.3%*	*-0.1%*	*5.0%*	*5.3%*	*5.0%*	*4.8%*	*4.4%*	*4.3%*	*4.2%*	*3.7%*	*3.0%*
Finished product operations	16,856	18,933	19,215	19,678	20,715	21,890	23,043	24,209	25,360	26,514	27,721	28,840	29,769
growth	*16.8%*	*12.3%*	*1.5%*	*2.4%*	*5.3%*	*5.7%*	*5.3%*	*5.1%*	*4.8%*	*4.5%*	*4.5%*	*4.0%*	*3.2%*
Total	**38,655**	**43,004**	**45,754**	**46,188**	**48,539**	**51,180**	**53,785**	**56,414**	**58,997**	**61,613**	**64,309**	**66,794**	**68,869**
growth	*17.1%*	*11.3%*	*6.4%*	*0.9%*	*5.1%*	*5.4%*	*5.1%*	*4.9%*	*4.6%*	*4.4%*	*4.4%*	*3.9%*	*3.1%*
Concentrate operations	56.4%	56.0%	58.0%	57.4%	57.3%	57.2%	57.2%	57.1%	57.0%	57.0%	56.9%	56.8%	56.8%
Finished product operations	43.6%	44.0%	42.0%	42.6%	42.7%	42.8%	42.8%	42.9%	43.0%	43.0%	43.1%	43.2%	43.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Geographic Breakdown													
EMEA	6,564	6,896	7,392	7,540	7,804	8,147	8,538	8,922	9,279	9,627	9,964	10,263	10,366
growth	*18.6%*	*5.1%*	*7.2%*	*2.00%*	*3.50%*	*4.40%*	*4.80%*	*4.50%*	*4.00%*	*3.75%*	*3.50%*	*3.00%*	*1.00%*
Latin America	4,143	4,910	5,830	6,122	6,519	6,995	7,415	7,786	8,136	8,482	8,821	9,130	9,267
growth	*18.4%*	*18.5%*	*18.7%*	*5.00%*	*6.50%*	*7.30%*	*6.00%*	*5.00%*	*4.50%*	*4.25%*	*4.00%*	*3.50%*	*1.50%*
North America	13,184	15,667	16,766	17,185	17,787	18,729	19,778	20,767	21,805	22,787	23,755	24,705	25,249
growth	*14.9%*	*18.8%*	*7.0%*	*2.50%*	*3.50%*	*5.30%*	*5.60%*	*5.00%*	*5.00%*	*4.50%*	*4.25%*	*4.00%*	*2.20%*
Asia Pacific	4,682	4,711	4,724	4,582	4,536	4,605	4,697	4,814	4,934	5,033	5,134	5,236	5,289
growth	*11.1%*	*0.6%*	*0.3%*	*-3.00%*	*-1.00%*	*1.50%*	*2.00%*	*2.50%*	*2.50%*	*2.00%*	*2.00%*	*2.00%*	*1.00%*
Global Ventures	2,805	2,843	3,064	3,003	3,033	3,124	3,249	3,379	3,480	3,584	3,674	3,747	3,785
growth	*40.9%*	*1.4%*	*7.8%*	*-2.00%*	*1.00%*	*3.00%*	*4.00%*	*4.00%*	*3.00%*	*3.00%*	*2.50%*	*2.00%*	*1.00%*
Bottling Investments & Corporate	7,277	7,977	7,978	7,756	8,860	9,580	10,109	10,746	11,362	12,099	12,960	13,712	14,914
growth	*15.4%*	*9.6%*	*0.0%*	*-2.8%*	*14.2%*	*8.1%*	*5.5%*	*6.3%*	*5.7%*	*6.5%*	*7.1%*	*5.8%*	*8.8%*
Total	**38,655**	**43,004**	**45,754**	**46,188**	**48,539**	**51,180**	**53,785**	**56,414**	**58,997**	**61,613**	**64,309**	**66,794**	**68,869**
growth	*17.1%*	*11.3%*	*6.4%*	*0.9%*	*5.1%*	*5.4%*	*5.1%*	*4.9%*	*4.6%*	*4.4%*	*4.4%*	*3.9%*	*3.1%*
EMEA	17.0%	16.0%	16.2%	16.3%	16.1%	15.9%	15.9%	15.8%	15.7%	15.6%	15.5%	15.4%	15.1%
Latin America	10.7%	11.4%	12.7%	13.3%	13.4%	13.7%	13.8%	13.8%	13.8%	13.8%	13.7%	13.7%	13.5%
North America	34.1%	36.4%	36.6%	37.2%	36.6%	36.6%	36.8%	36.8%	37.0%	37.0%	36.9%	37.0%	36.7%
Asia Pacific	12.1%	11.0%	10.3%	9.9%	9.3%	9.0%	8.7%	8.5%	8.4%	8.2%	8.0%	7.8%	7.7%
Global Ventures	7.3%	6.6%	6.7%	6.5%	6.2%	6.1%	6.0%	6.0%	5.9%	5.8%	5.7%	5.6%	5.5%
Bottling Investments & Corporate	18.8%	18.5%	17.4%	16.8%	18.3%	18.7%	18.8%	19.0%	19.3%	19.6%	20.2%	20.5%	21.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Unit Case Volume													
Concentrate operations unit cases	25,979	26,814	27,639	27,747	28,413	29,038	29,677	30,330	30,937	31,555	32,186	32,669	32,996
growth	*9.2%*	*3.2%*	*3.1%*	*0.4%*	*2.4%*	*2.2%*	*2.2%*	*2.2%*	*2.0%*	*2.0%*	*2.0%*	*1.5%*	*1.0%*
Finished product operations unit cases	5,321	5,886	5,661	5,886	6,027	6,160	6,295	6,434	6,562	6,694	6,827	6,930	6,999
growth	*1.9%*	*10.6%*	*-3.8%*	*4.0%*	*2.4%*	*2.2%*	*2.2%*	*2.2%*	*2.0%*	*2.0%*	*2.0%*	*1.5%*	*1.0%*
Consolidated Unit Cases (mm)	**31,300**	**32,700**	**33,300**	**33,633**	**34,440**	**35,198**	**35,972**	**36,764**	**37,499**	**38,249**	**39,014**	**39,599**	**39,995**
growth	*7.9%*	*4.5%*	*1.8%*	*1.00%*	*2.40%*	*2.20%*	*2.20%*	*2.20%*	*2.00%*	*2.00%*	*2.00%*	*1.50%*	*1.00%*
Concentrate operations	83.0%	82.0%	83.0%	82.5%	82.5%	82.5%	82.5%	82.5%	82.5%	82.5%	82.5%	82.5%	82.5%
Finished product operations	17.0%	18.0%	17.0%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Revenue/CO unit case	$0.84	$0.90	$0.96	$0.96	$0.98	$1.01	$1.04	$1.06	$1.09	$1.11	$1.14	$1.16	$1.18
growth	*7.4%*	*7.0%*	*7.0%*	*-0.50%*	*2.50%*	*3.00%*	*2.70%*	*2.50%*	*2.40%*	*2.30%*	*2.20%*	*2.20%*	*2.00%*
Revenue/FPO unit case	$3.17	$3.22	$3.39	$3.34	$3.44	$3.55	$3.66	$3.76	$3.86	$3.96	$4.06	$4.16	$4.25
growth	*14.6%*	*1.5%*	*5.5%*	*-1.50%*	*2.80%*	*3.40%*	*3.00%*	*2.80%*	*2.70%*	*2.50%*	*2.50%*	*2.50%*	*2.20%*
Consolidated Revenue/Case	**$1.23**	**$1.32**	**$1.37**	**$1.37**	**$1.41**	**$1.45**	**$1.50**	**$1.53**	**$1.57**	**$1.61**	**$1.65**	**$1.69**	**$1.72**
growth	*8.5%*	*6.5%*	*4.5%*	*-0.1%*	*2.6%*	*3.2%*	*2.8%*	*2.6%*	*2.5%*	*2.4%*	*2.3%*	*2.3%*	*2.1%*
Organic Revenue Growth	**16%**	**16%**	**12%**	**8.0%**	**4.5%**	**5.0%**	**4.7%**	**4.5%**	**4.3%**	**4.0%**	**3.5%**	**3.2%**	**2.5%**
			consensus	*10.1%*	*5.2%*	*5.0%*	*4.8%*						

red = inputted growth

blue = calculated growth

The Coca-Cola Company

Income Statement

in millions (mm), except share data

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net Operating Revenues	**38,655**	**43,004**	**45,754**	**46,188**	**48,539**	**51,180**	**53,785**	**56,414**	**58,997**	**61,613**	**64,309**	**66,794**	**68,869**
Cost of goods sold	13,905	16,740	17,392	17,090	17,231	18,067	19,255	20,422	21,416	22,427	23,408	24,313	25,137
Gross profit	**24,750**	**26,264**	**28,362**	**29,098**	**31,308**	**33,114**	**34,530**	**35,992**	**37,581**	**39,186**	**40,900**	**42,481**	**43,732**
Selling, general & administrative expenses	12,144	12,880	13,972	13,949	14,368	15,098	16,082	16,980	17,876	18,730	19,550	20,305	21,005
Depreciation	1,277	1,138	1,034	970	1,123	1,265	1,391	1,470	1,575	1,682	1,718	1,751	1,756
Amortization of Intangibles	175	122	94	61	54	42	42	34	32	31	29	27	26
Other operating charges	846	1,215	1,951	1,755	728	870	914	1,015	1,121	1,171	1,254	1,336	1,377
EBIT (Operating Income)	**10,308**	**10,909**	**11,311**	**12,364**	**15,035**	**15,838**	**16,101**	**16,492**	**16,977**	**17,572**	**18,349**	**19,062**	**19,567**
Interest income	276	449	907	594	720	505	522	554	538	579	651	713	803
Interest expense	(1,597)	(882)	(1,527)	(1,464)	(1,504)	(1,481)	(1,541)	(1,654)	(1,642)	(1,689)	(1,751)	(1,767)	(1,780)
Equity income (loss) - net	1,438	1,472	1,691	1,765	2,053	2,063	2,062	2,175	2,289	2,404	2,500	2,588	2,652
Other income (loss) - net	2,000	(262)	570	1,515	-	-	-	-	-	-	-	-	-
Income before income taxes	**12,425**	**11,686**	**12,952**	**14,774**	**16,305**	**16,925**	**17,144**	**17,566**	**18,162**	**18,866**	**19,750**	**20,595**	**21,243**
Income taxes	2,621	2,115	2,249	3,250	3,587	3,723	3,772	3,865	3,996	4,150	4,345	4,531	4,673
Consolidated net income (loss)	9,804	9,571	10,703	11,524	12,718	13,201	13,372	13,702	14,166	14,715	15,405	16,064	16,569
Less: net income (loss) attributable to noncontrolling interes	(33)	(29)	11	(10)	(51)	(41)	(29)	(30)	(32)	(33)	(35)	(36)	(37)
Net income attributable to The Cola-Cola Company	**9,771**	**9,542**	**10,714**	**11,514**	**12,666**	**13,161**	**13,344**	**13,672**	**14,134**	**14,682**	**15,370**	**16,028**	**16,533**
Weighted average shares outstanding - basic	4,315	4,328	4,323	4,295	4,269	4,240	4,214	4,191	4,165	4,138	4,114	4,091	4,071
Year end shares outstanding	4,325	4,328	4,308	4,283	4,255	4,226	4,202	4,180	4,151	4,125	4,102	4,080	4,062
Earnings per share (EPS) - basic	$ 2.26	$ 2.20	$ 2.48	$ 2.68	$ 2.97	$ 3.10	$ 3.17	$ 3.26	$ 3.39	$ 3.55	$ 3.74	$ 3.92	$ 4.06
Dividends per share	$ 1.68	$ 1.76	$ 1.82	$ 1.94	$ 2.04	$ 2.12	$ 2.18	$ 2.24	$ 2.30	$ 2.36	$ 2.40	$ 2.44	$ 2.48

The Coca-Cola Company
Balance Sheet
in millions (mm), except share data

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
Current Assets													
Cash & cash equivalents	9,684	9,519	9,366	12,698	11,320	12,950	16,312	15,524	17,028	19,759	22,065	25,532	29,490
Short-term investments	1,242	1,043	2,997	3,700	3,848	3,963	4,074	4,176	4,281	4,388	4,497	4,610	4,725
Marketable securities	1,699	1,069	1,300	1,600	1,664	1,714	1,762	1,806	1,851	1,897	1,945	1,993	2,043
Trade accounts receivable, less allowances	3,512	3,487	3,410	3,603	3,640	3,787	3,926	4,118	4,425	4,621	4,759	4,809	4,821
Inventories	3,414	4,233	4,424	4,480	4,611	4,862	5,002	5,246	5,487	5,730	5,916	6,078	6,198
Prepaid expenses & other current assets	2,994	3,240	5,235	3,695	3,689	3,378	3,711	3,949	4,130	4,190	4,373	4,342	4,270
Total current assets	**22,545**	**22,591**	**26,732**	**29,776**	**28,773**	**30,655**	**34,788**	**34,819**	**37,201**	**40,585**	**43,556**	**47,364**	**51,548**
Equity and other investments	18,416	18,765	19,789	20,675	21,647	22,891	24,150	25,479	26,816	28,157	29,283	30,308	31,066
Deferred income tax assets	2,129	1,746	1,561	1,301	1,014	716	414	105	-	-	-	-	-
Property, plant & equipment - net	9,920	9,841	9,236	10,447	11,502	12,361	13,070	14,000	14,625	14,943	15,225	15,274	15,117
Trademarks with indefinite lives	14,465	14,214	14,349	13,510	13,510	13,510	13,510	13,510	13,510	13,510	13,510	13,510	13,510
Goodwill	19,363	18,782	18,358	18,324	18,324	18,324	18,324	18,324	18,324	18,324	18,324	18,324	18,324
Other intangible assets	785	635	516	455	401	359	317	283	251	220	191	164	139
Operating lease ROU assets	1,418	1,406	1,328	1,502	1,654	1,777	1,879	2,013	2,103	2,149	2,189	2,196	2,174
Other noncurrent assets	5,313	4,783	5,834	5,700	5,928	6,106	6,277	6,434	6,595	6,759	6,928	7,102	7,279
Total assets	**94,354**	**92,763**	**97,703**	**101,690**	**102,753**	**106,699**	**112,731**	**114,967**	**119,424**	**124,647**	**129,207**	**134,242**	**139,156**
LIABILITIES AND SHAREOWNERS' EQUITY													
LIABILITIES													
Current Liabilities													
Accounts payable	4,602	5,307	5,590	6,189	6,310	6,551	6,723	6,995	7,316	7,702	8,039	8,349	8,609
Accrued expenses	10,703	11,645	10,745	13,164	13,106	13,460	13,984	14,103	14,749	15,095	15,434	15,697	16,184
Loans & notes payable	3,307	2,373	4,557	3,757	3,840	3,895	4,065	4,245	4,438	4,582	4,728	4,803	4,853
Current maturities of long-term debt	1,338	399	1,960	1,000	-	1,613	4,607	2,821	2,822	3,447	2,854	2,536	1,500
Liabilities held for sale	-	-	719	-	-	-	-	-	-	-	-	-	-
Total current liabilities	**19,950**	**19,724**	**23,571**	**24,110**	**23,255**	**25,519**	**29,379**	**28,165**	**29,325**	**30,825**	**31,055**	**31,385**	**31,146**
Long-term debt	38,116	36,377	35,547	38,267	38,402	38,437	38,567	39,777	40,959	41,955	42,856	43,484	43,866
Operating lease liabilities	1,161	1,113	1,001	1,202	1,323	1,377	1,409	1,459	1,472	1,504	1,532	1,537	1,522
Other noncurrent liabilities	7,446	6,809	7,465	7,125	7,410	7,632	7,846	8,042	8,243	8,449	8,661	8,877	9,099
Deferred income tax liabilities	2,821	2,914	2,639	2,375	2,138	1,924	1,731	1,558	1,371	1,207	1,062	935	822
Total Liabilities	**69,494**	**66,937**	**70,223**	**73,078**	**72,528**	**74,890**	**78,933**	**79,002**	**81,370**	**83,941**	**85,166**	**86,218**	**86,455**
SHAREOWNER'S EQUITY													
Common equity	19,876	20,582	20,969	21,454	21,939	22,425	22,910	23,249	23,249	23,249	23,249	23,249	23,249
Retained earnings	69,094	71,019	73,782	76,938	80,868	85,007	89,139	93,397	97,918	102,804	108,273	114,292	120,707
Accumulated other comprehensive income (loss)	(14,330)	(14,895)	(14,275)	(14,275)	(14,275)	(14,275)	(14,275)	(14,275)	(14,275)	(14,275)	(14,275)	(14,275)	(14,275)
Treasury stock	(51,641)	(52,601)	(54,535)	(57,035)	(59,785)	(62,785)	(65,385)	(67,785)	(70,185)	(72,385)	(74,485)	(76,485)	(78,185)
Total shareowners' equity	22,999	24,105	25,941	27,083	28,747	30,372	32,389	34,587	36,708	39,393	42,762	46,782	51,496
Equity attributable to noncontrolling interests	1,861	1,721	1,539	1,529	1,478	1,437	1,409	1,378	1,346	1,313	1,278	1,242	1,206
Total equity	**24,860**	**25,826**	**27,480**	**28,612**	**30,225**	**31,809**	**33,797**	**35,965**	**38,054**	**40,706**	**44,041**	**48,024**	**52,702**
Total liabilities and equity	**94,354**	**92,763**	**97,703**	**101,690**	**102,753**	**106,699**	**112,731**	**114,967**	**119,424**	**124,647**	**129,207**	**134,242**	**139,156**

The Coca-Cola Company
Historical Cash Flow Statement
in millions (mm), except share data

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023
Cash flows from operating activities:							
Net income (loss) from continuing operations	1,182	6,727	8,985	7,768	9,804	9,571	10,703
Depreciation & amortization	1,260	1,086	1,365	1,536	1,452	1,260	1,128
Stock-based compensation expense	219	225	201	126	337	356	254
Deferred income taxes	(1,256)	(450)	(280)	(18)	894	(122)	(2)
Equity loss (income) - net of dividends	(628)	(457)	(421)	(511)	(615)	(838)	(1,019)
Foreign currency adjustments	281	(38)	91	(88)	86	203	175
Significant losses (gains) - net	1,459	189	(467)	(914)	(1,365)	(129)	(492)
Other operating charges	1,218	558	127	556	506	1,086	1,741
Other items	(269)	682	504	699	201	236	(43)
Net change in operating assets & liabilities	3,464	(1,202)	366	690	1,325	(605)	(846)
Net cash flows from operating activities	**6,930**	**7,320**	**10,471**	**9,844**	**12,625**	**11,018**	**11,599**
Cash flows from investing activities:							
Purchases of investments	(17,296)	(7,789)	(4,704)	(13,583)	(6,030)	(3,751)	(6,698)
Proceeds from disposals of investments	16,694	14,977	6,973	13,835	7,059	4,771	4,354
Acquisitions of businesses, equity method investments, and nonmarketable securities	(3,809)	(1,040)	(5,542)	(1,052)	(4,766)	(73)	(62)
Proceeds from sale of business	3,821	1,362	429	189	2,180	458	430
Purchases of property, plant & equipment	(1,675)	(1,347)	(2,054)	(1,177)	(1,367)	(1,484)	(1,852)
Proceeds from disposals of property, plant & equipment	104	245	978	189	108	75	74
Collateral (paid) received associated with hedging activities - net	-	-	-	-	-	(1,465)	366
Other investing activities	(93)	(60)	(56)	122	51	706	39
Net cash flows from investing activities	**(2,254)**	**6,348**	**(3,976)**	**(1,477)**	**(2,765)**	**(763)**	**(3,349)**
Cash flows from financing activities:							
Issuances of debt	29,857	27,339	23,009	26,934	13,094	3,972	6,891
Payments of debt	(28,768)	(30,568)	(24,850)	(28,796)	(12,866)	(4,930)	(5,034)
Issuances of stock	1,595	1,476	1,012	647	702	837	539
Purchases of stock for treasury	(3,682)	(1,912)	(1,103)	(118)	(111)	(1,418)	(2,289)
Dividends	(6,320)	(6,644)	(6,845)	(7,047)	(7,252)	(7,616)	(7,952)
Other financing activities	(91)	(243)	(227)	310	(353)	(1,095)	(465)
Net cash flows from financing activities	**(7,409)**	**(10,552)**	**(9,004)**	**(8,070)**	**(6,786)**	**(10,250)**	**(8,310)**
Net cash provided by (used in) discontinued operations	15	91	-	-	-	-	-
Exchange rate effects on cash	241	(262)	(72)	76	(159)	(205)	(73)
Net increase (decrease) in cash during the year	(2,477)	2,945	(2,581)	373	2,915	(200)	(133)
Cash at beginning of year	8,850	6,373	9,318	6,737	7,110	10,025	9,825
Cash at end of year	6,373	9,318	6,737	7,110	10,025	9,825	9,692
Less: Restricted Cash and restricted cash equivalents at end of year	(367)	(392)	(257)	(315)	(341)	(306)	(326)
Cash and cash equivalents at end of year	**6,006**	**8,926**	**6,480**	**6,795**	**9,684**	**9,519**	**9,366**

The Coca-Cola Company
Forecasted Cash Flow Statement
in millions (mm), except share data

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Cash flows from operating activities:										
Net Income	11,514	12,666	13,161	13,344	13,672	14,134	14,682	15,370	16,028	16,533
Adjustments to reconcile Net Income										
Depreciation & Amortization	1,031	1,177	1,307	1,433	1,504	1,607	1,712	1,747	1,778	1,782
Deferred Income Taxes	(4)	49	84	109	136	(82)	(165)	(145)	(127)	(112)
Changes in working capital accounts:										
Changes in accounts receivable	(193)	(38)	(147)	(139)	(192)	(307)	(196)	(138)	(50)	(12)
Changes in inventories	(56)	(131)	(251)	(140)	(244)	(240)	(243)	(186)	(162)	(120)
Changes in prepaid expenses/other current assets	1,540	6	311	(333)	(238)	(181)	(60)	(183)	31	72
Changes in operating ROU leases	(174)	(152)	(123)	(102)	(134)	(90)	(46)	(40)	(7)	22
Changes in accounts payable	599	121	241	172	272	320	386	337	311	259
Changes in accrued expenses	2,419	(58)	355	524	119	646	346	339	262	488
Net cash flows from operating activities	**16,676**	**13,641**	**14,938**	**14,867**	**14,896**	**15,808**	**16,417**	**17,100**	**18,064**	**18,912**
Cash flows from investing activities:										
Capital expenditures	(2,181)	(2,178)	(2,124)	(2,100)	(2,400)	(2,200)	(2,000)	(2,000)	(1,800)	(1,600)
Proceeds from sale of business	34	-	-	-	-	-	-	-	-	-
Sale of trademark rights	839	-	-	-	-	-	-	-	-	-
Changes in short-term investments	(703)	(148)	(115)	(111)	(102)	(104)	(107)	(110)	(112)	(115)
Changes in marketable securities	(300)	(64)	(50)	(48)	(44)	(45)	(46)	(47)	(49)	(50)
Changes in equity investments	(886)	(972)	(1,245)	(1,259)	(1,328)	(1,338)	(1,341)	(1,126)	(1,025)	(758)
Changes in other noncurrent assets	134	(228)	(178)	(171)	(157)	(161)	(165)	(169)	(173)	(178)
Disposal of liabilities held for sale	(719)	-	-	-	-	-	-	-	-	-
Changes in other noncurrent liabilities	(340)	285	222	214	196	201	206	211	217	222
Net cash flows from investing activities	**(4,122)**	**(3,305)**	**(3,490)**	**(3,475)**	**(3,835)**	**(3,647)**	**(3,453)**	**(3,241)**	**(2,943)**	**(2,478)**
Cash flows from financing activities:										
Changes in loans and notes payable	(800)	82	55	170	180	193	144	146	75	50
Changes in long-term debt, current portion	(960)	(1,000)	1,613	2,994	(1,786)	1	625	(593)	(318)	(1,036)
Changes in long-term debt	2,720	135	36	130	1,210	1,181	997	901	628	382
Changes in operating lease liabilities	201	121	54	32	50	13	32	28	5	(16)
Changes in common stock	485	485	485	485	340	-	-	-	-	-
Purchases of stock for treasury	(2,500)	(2,750)	(3,000)	(2,600)	(2,400)	(2,400)	(2,200)	(2,100)	(2,000)	(1,700)
Dividends paid	(8,358)	(8,737)	(9,021)	(9,212)	(9,413)	(9,613)	(9,796)	(9,901)	(10,008)	(10,119)
Changes in noncontrolling interests	(10)	(51)	(41)	(29)	(30)	(32)	(33)	(35)	(36)	(37)
Net cash flows from financing activities	**(9,222)**	**(11,714)**	**(9,818)**	**(8,030)**	**(11,850)**	**(10,657)**	**(10,232)**	**(11,553)**	**(11,655)**	**(12,475)**
Net increase (decrease) in cash and cash equivalents	**3,332**	**(1,378)**	**1,630**	**3,362**	**(789)**	**1,504**	**2,731**	**2,306**	**3,467**	**3,958**
Cash and cash equivalents at beginning of year	9,366	12,698	11,320	12,950	16,312	15,524	17,028	19,759	22,065	25,532
Cash and cash equivalents at end of year	**12,698**	**11,320**	**12,950**	**16,312**	**15,524**	**17,028**	**19,759**	**22,065**	**25,532**	**29,490**

The Coca-Cola Company

Common Size Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of goods sold	35.97%	38.93%	38.01%	37.00%	35.50%	35.30%	35.80%	36.20%	36.30%	36.40%	36.40%	36.40%	36.50%
Gross margin	**64.03%**	**61.07%**	**61.99%**	**63.00%**	**64.50%**	**64.70%**	**64.20%**	**63.80%**	**63.70%**	**63.60%**	**63.60%**	**63.60%**	**63.50%**
Selling, general & administrative expenses	31.42%	29.95%	30.54%	30.20%	29.60%	29.50%	29.90%	30.10%	30.30%	30.40%	30.40%	30.40%	30.50%
Depreciation	3.30%	2.65%	2.26%	2.10%	2.31%	2.47%	2.59%	2.61%	2.67%	2.73%	2.67%	2.62%	2.55%
Amortization of Intangibles	0.45%	0.28%	0.21%	0.13%	0.11%	0.08%	0.08%	0.06%	0.05%	0.05%	0.04%	0.04%	0.04%
Other operating charges	2.19%	2.83%	4.26%	3.80%	1.50%	1.70%	1.70%	1.80%	1.90%	1.90%	1.95%	2.00%	2.00%
Operating margin	**26.67%**	**25.37%**	**24.72%**	**26.77%**	**30.98%**	**30.95%**	**29.94%**	**29.23%**	**28.78%**	**28.52%**	**28.53%**	**28.54%**	**28.41%**
Interest income	0.71%	1.04%	1.98%	1.29%	1.48%	0.99%	0.97%	0.98%	0.91%	0.94%	1.01%	1.07%	1.17%
Interest expense	-4.13%	-2.05%	-3.34%	-3.17%	-3.10%	-2.89%	-2.87%	-2.93%	-2.78%	-2.74%	-2.72%	-2.65%	-2.58%
Equity income (loss) - net	3.72%	3.42%	3.70%	3.82%	4.23%	4.03%	3.83%	3.86%	3.88%	3.90%	3.89%	3.87%	3.85%
Other income (loss) - net	5.17%	-0.61%	1.25%	3.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before income taxes	32.14%	27.17%	28.31%	31.99%	33.59%	33.07%	31.87%	31.14%	30.78%	30.62%	30.71%	30.83%	30.85%
Income taxes	6.78%	4.92%	4.92%	7.04%	7.39%	7.28%	7.01%	6.85%	6.77%	6.74%	6.76%	6.78%	6.79%
Income (loss) from discontinued operations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Consolidated net income (loss)	25.36%	22.26%	23.39%	24.95%	26.20%	25.79%	24.86%	24.29%	24.01%	23.88%	23.95%	24.05%	24.06%
Less: net income (loss) attributable to noncontrolling interest	-0.09%	-0.07%	0.02%	-0.02%	-0.11%	-0.08%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
Net margin	**25.28%**	**22.19%**	**23.42%**	**24.93%**	**26.10%**	**25.71%**	**24.81%**	**24.23%**	**23.96%**	**23.83%**	**23.90%**	**24.00%**	**24.01%**

The Coca-Cola Company
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
Current Assets													
Cash & cash equivalents	25.05%	22.14%	20.47%	27.49%	23.32%	25.30%	30.33%	27.52%	28.86%	32.07%	34.31%	38.23%	42.82%
Short-term investments	3.21%	2.43%	6.55%	8.01%	7.93%	7.74%	7.58%	7.40%	7.26%	7.12%	6.99%	6.90%	6.86%
Marketable securities	4.40%	2.49%	2.84%	3.46%	3.43%	3.35%	3.28%	3.20%	3.14%	3.08%	3.02%	2.98%	2.97%
Trade accounts receivable, less allowances	9.09%	8.11%	7.45%	7.80%	7.50%	7.40%	7.30%	7.30%	7.50%	7.50%	7.40%	7.20%	7.00%
Inventories	8.83%	9.84%	9.67%	9.70%	9.50%	9.50%	9.30%	9.30%	9.30%	9.30%	9.20%	9.10%	9.00%
Prepaid expenses & other current assets	7.75%	7.53%	11.44%	8.00%	7.60%	6.60%	6.90%	7.00%	7.00%	6.80%	6.80%	6.50%	6.20%
Assets held for sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current assets	**58.32%**	**52.53%**	**58.43%**	**64.47%**	**59.28%**	**59.90%**	**64.68%**	**61.72%**	**63.06%**	**65.87%**	**67.73%**	**70.91%**	**74.85%**
Equity and other investments	47.64%	43.64%	43.25%	44.76%	44.60%	44.73%	44.90%	45.16%	45.45%	45.70%	45.54%	45.38%	45.11%
Deferred income tax assets	5.51%	4.06%	3.41%	2.82%	2.09%	1.40%	0.77%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Property, plant & equipment - net	25.66%	22.88%	20.19%	22.62%	23.70%	24.15%	24.30%	24.82%	24.79%	24.25%	23.67%	22.87%	21.95%
Trademarks with indefinite lives	37.42%	33.05%	31.36%	29.25%	27.83%	26.40%	25.12%	23.95%	22.90%	21.93%	21.01%	20.23%	19.62%
Goodwill	50.09%	43.68%	40.12%	39.67%	37.75%	35.80%	34.07%	32.48%	31.06%	29.74%	28.49%	27.43%	26.61%
Other intangible assets	2.03%	1.48%	1.13%	0.99%	0.83%	0.70%	0.59%	0.50%	0.42%	0.36%	0.30%	0.25%	0.20%
Operating lease ROU assets	3.67%	3.27%	2.90%	3.25%	3.41%	3.47%	3.49%	3.57%	3.56%	3.49%	3.40%	3.29%	3.16%
Other noncurrent assets	13.74%	11.12%	12.75%	12.34%	12.21%	11.93%	11.67%	11.40%	11.18%	10.97%	10.77%	10.63%	10.57%
Total assets	**244.09%**	**215.71%**	**213.54%**	**220.17%**	**211.69%**	**208.48%**	**209.59%**	**203.79%**	**202.42%**	**202.31%**	**200.92%**	**200.98%**	**202.06%**
LIABILITIES AND SHAREOWNERS' EQUITY													
LIABILITIES													
Current Liabilities													
Accounts payable	11.91%	12.34%	12.22%	13.40%	13.00%	12.80%	12.50%	12.40%	12.40%	12.50%	12.50%	12.50%	12.50%
Accrued expenses	27.69%	27.08%	23.48%	28.50%	27.00%	26.30%	26.00%	25.00%	25.00%	24.50%	24.00%	23.50%	23.50%
Loans & notes payable	8.56%	5.52%	9.96%	8.13%	7.91%	7.61%	7.56%	7.52%	7.52%	7.44%	7.35%	7.19%	7.05%
Current maturities of long-term debt	3.46%	0.93%	4.28%	2.17%	0.00%	3.15%	8.57%	5.00%	4.78%	5.59%	4.44%	3.80%	2.18%
Liabilities held for sale	0.00%	0.00%	1.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current liabilities	**51.61%**	**45.87%**	**51.52%**	**52.20%**	**47.91%**	**49.86%**	**54.62%**	**49.93%**	**49.71%**	**50.03%**	**48.29%**	**46.99%**	**45.22%**
Long-term debt	98.61%	84.59%	77.69%	82.85%	79.11%	75.10%	71.71%	70.51%	69.42%	68.10%	66.64%	65.10%	63.70%
Operating lease liabilities	3.00%	2.59%	2.19%	2.60%	2.73%	2.69%	2.62%	2.59%	2.50%	2.44%	2.38%	2.30%	2.21%
Other noncurrent liabilities	19.26%	15.83%	16.32%	15.43%	15.27%	14.91%	14.59%	14.26%	13.97%	13.71%	13.47%	13.29%	13.21%
Deferred income tax liabilities	7.30%	6.78%	5.77%	5.14%	4.40%	3.76%	3.22%	2.76%	2.32%	1.96%	1.65%	1.40%	1.19%
Total Liabilities	**179.78%**	**155.65%**	**153.48%**	**158.22%**	**149.42%**	**146.33%**	**146.76%**	**140.04%**	**137.92%**	**136.24%**	**132.43%**	**129.08%**	**125.53%**
SHAREOWNER'S EQUITY													
Common equity	51.42%	47.86%	45.83%	46.45%	45.20%	43.82%	42.59%	41.21%	39.41%	37.73%	36.15%	34.81%	33.76%
Retained earnings	178.75%	165.15%	161.26%	166.58%	166.60%	166.09%	165.73%	165.56%	165.97%	166.85%	168.36%	171.11%	175.27%
Accumulated other comprehensive income (loss)	-37.07%	-34.64%	-31.20%	-30.91%	-29.41%	-27.89%	-26.54%	-25.30%	-24.20%	-23.17%	-22.20%	-21.37%	-20.73%
Treasury stock	-133.59%	-122.32%	-119.19%	-123.48%	-123.17%	-122.67%	-121.57%	-120.16%	-118.96%	-117.48%	-115.82%	-114.51%	-113.53%
Total shareowners' equity	59.50%	56.05%	56.70%	58.64%	59.22%	59.34%	60.22%	61.31%	62.22%	63.94%	66.50%	70.04%	74.77%
Equity attributable to noncontrolling interests	4.81%	4.00%	3.36%	3.31%	3.04%	2.81%	2.62%	2.44%	2.28%	2.13%	1.99%	1.86%	1.75%
Total equity	**64.31%**	**60.05%**	**60.06%**	**61.95%**	**62.27%**	**62.15%**	**62.84%**	**63.75%**	**64.50%**	**66.07%**	**68.48%**	**71.90%**	**76.52%**
Total liabilities and equity	**244.09%**	**215.71%**	**213.54%**	**220.17%**	**211.69%**	**208.48%**	**209.59%**	**203.79%**	**202.42%**	**202.31%**	**200.92%**	**200.98%**	**202.06%**

The Coca-Cola Company

Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
Net Operating Revenues	38,655	43,004	45,754	46,188	48,539	51,180	53,785	56,414	58,997	61,613	64,309	66,794	68,869
COGS	(13,905)	(16,740)	(17,392)	(17,090)	(17,231)	(18,067)	(19,255)	(20,422)	(21,416)	(22,427)	(23,408)	(24,313)	(25,137)
SG&A	(12,144)	(12,880)	(13,972)	(13,949)	(14,368)	(15,098)	(16,082)	(16,980)	(17,876)	(18,730)	(19,550)	(20,305)	(21,005)
Depreciation	(1,277)	(1,138)	(1,034)	(970)	(1,123)	(1,265)	(1,391)	(1,470)	(1,575)	(1,682)	(1,718)	(1,751)	(1,756)
Amortization	(175)	(122)	(94)	(61)	(54)	(42)	(42)	(34)	(32)	(31)	(29)	(27)	(26)
Other operating charges	(846)	(1,215)	(1,951)	(1,755)	(728)	(870)	(914)	(1,015)	(1,121)	(1,171)	(1,254)	(1,336)	(1,377)
Add: Implied Interest on Operating Leases	42	41	48	45	51	56	60	64	68	71	73	74	75
EBIT	**10,350**	**10,950**	**11,359**	**12,409**	**15,086**	**15,894**	**16,162**	**16,555**	**17,045**	**17,644**	**18,422**	**19,136**	**19,642**
Income Taxes	2,621	2,115	2,249	3,250	3,587	3,723	3,772	3,865	3,996	4,150	4,345	4,531	4,673
Tax Shield on Interest Expense	351	194	336	322	331	326	339	364	361	372	385	389	392
Tax Shield on Implied Interest on Operating Leases	9	9	11	10	11	12	13	14	15	16	16	16	16
Tax (Shield) on Other Income (Loss)	(440)	58	(125)	(333)	0	0	0	0	0	0	0	0	0
Tax on Interest Income	(61)	(99)	(200)	(131)	(158)	(111)	(115)	(122)	(118)	(127)	(143)	(157)	(177)
Tax on Equity Income	(316)	(324)	(372)	(388)	(452)	(454)	(454)	(479)	(504)	(529)	(550)	(569)	(584)
Total Adjusted Taxes	**2,164**	**1,953**	**1,898**	**2,730**	**3,319**	**3,497**	**3,556**	**3,642**	**3,750**	**3,882**	**4,053**	**4,210**	**4,321**
Change in Deferred Taxes	**894**	**(122)**	**(2)**	**(4)**	**49**	**84**	**109**	**136**	**(82)**	**(165)**	**(145)**	**(127)**	**(112)**
NOPLAT	**9,079**	**8,875**	**9,458**	**9,675**	**11,817**	**12,482**	**12,716**	**13,049**	**13,213**	**13,598**	**14,224**	**14,799**	**15,209**
Invested Capital (IC):													
Operating Current Assets													
Normal Cash	7,924	8,816	9,380	9,469	9,951	10,492	11,026	11,565	12,094	12,631	13,183	13,693	14,118
Trade accounts receivable, less allowances	3,512	3,487	3,410	3,603	3,640	3,787	3,926	4,118	4,425	4,621	4,759	4,809	4,821
Inventories	3,414	4,233	4,424	4,480	4,611	4,862	5,002	5,246	5,487	5,730	5,916	6,078	6,198
Prepaid expenses & other current assets	2,994	3,240	5,235	3,695	3,689	3,378	3,711	3,949	4,130	4,190	4,373	4,342	4,270
Less: Operating Current Liabilities													
Accounts payable	(4,602)	(5,307)	(5,590)	(6,189)	(6,310)	(6,551)	(6,723)	(6,995)	(7,316)	(7,702)	(8,039)	(8,349)	(8,609)
Accrued expenses	(10,703)	(11,645)	(10,745)	(13,164)	(13,106)	(13,460)	(13,984)	(14,103)	(14,749)	(15,095)	(15,434)	(15,697)	(16,184)
Net Operating Working Capital	**2,539**	**2,824**	**6,114**	**1,894**	**2,476**	**2,508**	**2,958**	**3,780**	**4,071**	**4,375**	**4,759**	**4,876**	**4,614**
Non-current operating assets													
Property, plant & equipment - net	9,920	9,841	9,236	10,447	11,502	12,361	13,070	14,000	14,625	14,943	15,225	15,274	15,117
Other intangible assets	785	635	516	455	401	359	317	283	251	220	191	164	139
Operating lease ROU assets	1,418	1,406	1,328	1,502	1,654	1,777	1,879	2,013	2,103	2,149	2,189	2,196	2,174
Invested Capital	**14,662**	**14,706**	**17,194**	**14,298**	**16,032**	**17,005**	**18,225**	**20,076**	**21,049**	**21,686**	**22,364**	**22,510**	**22,044**
Free Cash Flow (FCF):													
NOPLAT	9,079	8,875	9,458	9,675	11,817	12,482	12,716	13,049	13,213	13,598	14,224	14,799	15,209
Change in IC	(1,473)	44	2,488	(2,895)	1,734	973	1,220	1,851	974	637	677	146	(466)
FCF	**10,552**	**8,831**	**6,971**	**12,571**	**10,082**	**11,509**	**11,496**	**11,198**	**12,240**	**12,961**	**13,547**	**14,653**	**15,675**
Return on Invested Capital (ROIC):													
NOPLAT	9,079	8,875	9,458	9,675	11,817	12,482	12,716	13,049	13,213	13,598	14,224	14,799	15,209
Beginning IC	16,135	14,662	14,706	17,194	14,298	16,032	17,005	18,225	20,076	21,049	21,686	22,364	22,510
ROIC	**56.27%**	**60.53%**	**64.32%**	**56.27%**	**82.64%**	**77.85%**	**74.78%**	**71.60%**	**65.82%**	**64.60%**	**65.59%**	**66.17%**	**67.56%**
Economic Profit (EP):													
Beginning IC	16,135	14,662	14,706	17,194	14,298	16,032	17,005	18,225	20,076	21,049	21,686	22,364	22,510
x (ROIC - WACC)	50.59%	54.85%	58.64%	50.59%	76.96%	72.17%	69.09%	65.92%	60.14%	58.92%	59.91%	60.49%	61.88%
EP	**8,163**	**8,042**	**8,623**	**8,698**	**11,004**	**11,571**	**11,750**	**12,014**	**12,073**	**12,402**	**12,993**	**13,528**	**13,930**

The Coca-Cola Company

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*	
Risk-Free Rate	3.73%	*YTM on 10Y Treasury Bond*	
Beta	0.45	*Average of 2-4 yr monthly and weekly beta*	
Equity Risk Premium	5.00%	*Henry Fund Consensus*	
Cost of Equity	**5.98%**		
Cost of Debt:			
Risk-Free Rate	3.73%	*YTM on 10Y Treasury Bond*	
Implied Default Premium	0.83%		
Pre-Tax Cost of Debt	4.56%	*Estimated 10Y YTM on Newly Issued Debt (Bloomberg)*	
Marginal Tax Rate	22.00%		
After-Tax Cost of Debt	**3.56%**		

Market Value of Common Equity:			**MV Weights**
Total Shares Outstanding	4,308		
Current Stock Price	$71.00		
MV of Equity	**305,868**		87.66%
Market Value of Debt:			
Loans & notes payable	4,557		
Current maturities of long-term debt	1,960		
Long-term debt	35,547		
Operating lease liabilities	1,001		
MV of Total Debt	**43,065**		12.34%
Market Value of the Firm	**348,933**		100.00%

	Estimated WACC	**5.68%**

The Coca-Cola Company

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

Key Inputs:

CV Growth of NOPLAT	2.00%
CV Year ROIC	67.56%
WACC	5.68%
Cost of Equity	5.98%

Fiscal Years Ending Dec. 31	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**
DCF Model:										
Free Cash Flow (FCF)	12,571	10,082	11,509	11,496	11,198	12,240	12,961	13,547	14,653	
Continuing Value (CV)										400,945
PV of FCF	11,895	9,027	9,751	9,216	8,495	8,786	8,803	8,707	8,911	243,846

Value of Operating Assets:	327,439
Add: Excess cash	*0*
Add: Short-term investments	*2,997*
Add: Marketable securities	*1,300*
Add: Equity investments	*19,789*
Add: Other noncurrent assets	*5,834*
Less: Loans and notes payable	*(4,557)*
Less: Long-term debt, current portion	*(1,960)*
Less: Liabilities held-for-sale	*(719)*
Less: Long-term debt	*(35,547)*
Less: Operating lease liabilities	*(1,001)*
Less: Other noncurrent liabilities	*(7,465)*
Less: Non-controlling interests	*(1,539)*
Less: PV of ESOP	*(1,064)*
Value of Equity	303,507
Shares Outstanding	4,308
Intrinsic Value of Last FYE	$ 70.45
Implied Price as of Today	$ 72.11

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EP Model:										
Economic Profit (EP)	8,698	11,004	11,571	11,750	12,014	12,073	12,402	12,993	13,528	13,930
Continuing Value (CV)										378,436
PV of EP	8,231	9,853	9,803	9,420	9,114	8,666	8,424	8,351	8,228	230,156

Total PV of EP	310,245
Invested Capital (last FYE)	17,194
Value of Operating Assets:	327,439
Add: Excess cash	*0*
Add: Short-term investments	*2,997*
Add: Marketable securities	*1,300*
Add: Equity investments	*19,789*
Add: Other noncurrent assets	*5,834*
Less: Loans and notes payable	*(4,557)*
Less: Long-term debt, current portion	*(1,960)*
Less: Liabilities held-for-sale	*(719)*
Less: Long-term debt	*(35,547)*
Less: Operating lease liabilities	*(1,001)*
Less: Other noncurrent liabilities	*(7,465)*
Less: Non-controlling interests	*(1,539)*
Less: PV of ESOP	*(1,064)*
Value of Equity	303,507
Shares Outstanding	4,308
Intrinsic Value of Last FYE	$ 70.45
Implied Price as of Today	$ 72.11

The Coca-Cola Company

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

Fiscal Years Ending	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**
EPS	$ 2.68	$ 2.97	$ 3.10	$ 3.17	$ 3.26	$ 3.39	$ 3.55	$ 3.74	$ 3.92	$ 4.06
Key Assumptions										
CV growth of EPS	2.00%									
CV Year ROE	34.43%									
Cost of Equity	5.98%									
Future Cash Flows										
P/E Multiple (CV Year)										23.67x
EPS (CV Year)										$ 4.06
Future Stock Price										$ 96.11
Dividends Per Share	$ 1.94	$ 2.04	$ 2.12	$ 2.18	$ 2.24	$ 2.30	$ 2.36	$ 2.40	$ 2.44	
Discounted Cash Flows	$ 1.83	$ 1.82	$ 1.78	$ 1.73	$ 1.68	$ 1.62	$ 1.57	$ 1.51	$ 1.45	$ 56.98
Intrinsic Value as of Last FYE	$ 71.96									
Implied Price as of Today	$ 73.66									

The Coca-Cola Company

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	SPS 2024E	SPS 2025E	P/S 24	P/S 25	EV (M) 2024	EBITDA (M) 2024E	EV/EBITDA 2024E
PEP	PEPSICO, INC.	$ 171.18	$8.16	$8.76	20.98	19.54	$68.32	$71.21	2.51	2.40	279,070	17,828	15.65
KDP	KEURIG DR PEPPER INC.	$ 37.46	$1.92	$2.07	19.51	18.10	$11.35	$11.80	3.30	3.17	61,760	4,588	13.46
CCEP	COCA-COLA EUROPACIFIC PARTNERS PLC	$ 81.09	$4.36	$4.72	18.60	17.18	$49.54	$51.84	~~1.64~~	~~1.56~~	47,176	3,925	12.02
KOF	COCA-COLA FEMSA SAB DE CV	$ 89.75	$5.45	$6.13	16.47	14.64	$6.58	$7.15	~~13.63~~	~~12.56~~	19,441	2,695	~~7.21~~
CELH	CELSIUS HOLDINGS, INC.	$ 33.17	$0.99	$1.23	33.51	26.97	$6.76	$8.05	4.91	4.12	9,306	359	25.94
MNST	MONSTER BEVERAGE CORPORATION	$ 51.18	$1.68	$1.92	30.46	26.66	$7.73	$8.39	6.62	6.10	45,015	2,230	20.19
FIZZ	NATIONAL BEVERAGE CORP.	$ 46.32	$2.00	$2.08	23.16	22.27	$13.05	$13.36	3.55	3.47	3,906	260	15.02
				Average	23.24	20.76			4.18	3.85			17.05
KO	THE COCA-COLA COMPANY	$71.00	$ 2.68	$ 2.97	26.5	23.9	$10.72	$11.27	6.6	6.3	339,567	13,395	25.35

Implied Relative Value:

P/E (EPS24)	**$ 62.30**
P/E (EPS25)	**$ 61.61**
P/S (Sales 24)	**$ 44.78**
P/S (Sales 25)	**$ 43.41**
EV/EBITDA	**$ 45.18**

The Coca-Cola Company
Key Management Ratios

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Current Ratio (CA / CL)	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.4	1.5	1.7
Quick Ratio ((Cash + M/S* + STI** + A/R) / CL)	0.8	0.8	0.7	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.1	1.2	1.3
Cash Ratio (Cash / CL)	0.5	0.5	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.8	0.9
Asset-Management Ratios:													
Inventory Turnover (COGS / Inventory)	4.1	4.0	3.9	3.8	3.7	3.7	3.8	3.9	3.9	3.9	4.0	4.0	4.1
Accounts Payable Turnover (COGS / Beg. A/P)	4.0	3.6	3.3	3.1	2.8	2.9	2.9	3.0	3.1	3.1	3.0	3.0	3.0
Days Sales Outstanding ((Beg. A/R / Sales)*365)	29.7	29.8	27.8	26.9	27.1	26.0	25.7	25.4	25.5	26.2	26.2	26.0	25.5
Asset Turnover (Sales / Beg. TA)	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Financial Leverage Ratios:													
D/E Ratio (TL / TSE)	2.8	2.6	2.6	2.6	2.4	2.4	2.3	2.2	2.1	2.1	1.9	1.8	1.6
Debt/Capital (Total Debt / Total Capital)	63.9%	60.9%	61.0%	60.7%	59.0%	58.8%	59.0%	57.3%	56.6%	55.8%	54.1%	52.2%	49.5%
Interest Coverage (EBIT / Interest Expense)	6.5	12.4	7.4	8.4	10.0	10.7	10.4	10.0	10.3	10.4	10.5	10.8	11.0
Profitability Ratios:													
Gross Margin (Gross Profit / Sales)	64.0%	61.1%	62.0%	63.0%	64.5%	64.7%	64.2%	63.8%	63.7%	63.6%	63.6%	63.6%	63.5%
EBITDA Margin (EBITDA / Sales)	30.4%	28.3%	27.2%	29.0%	33.4%	33.5%	32.6%	31.9%	31.5%	31.3%	31.3%	31.2%	31.0%
Operating Margin (EBIT / Sales)	26.7%	25.4%	24.7%	26.8%	31.0%	30.9%	29.9%	29.2%	28.8%	28.5%	28.5%	28.5%	28.4%
Profit Margin (NI / Sales)	25.3%	22.2%	23.4%	24.9%	26.1%	25.7%	24.8%	24.2%	24.0%	23.8%	23.9%	24.0%	24.0%
Return on Assets (NOPLAT / Beg. TA)	10.4%	9.4%	10.2%	9.9%	11.6%	12.1%	11.9%	11.6%	11.5%	11.4%	11.4%	11.5%	11.3%
Return on Equity (NI/Beg. TSE)	45.9%	38.4%	41.5%	41.9%	44.3%	43.5%	41.9%	40.5%	39.3%	38.6%	37.8%	36.4%	34.4%
Return on Invested Capital (NOPLAT / Beg. IC)	56.3%	60.5%	64.3%	56.3%	82.6%	77.9%	74.8%	71.6%	65.8%	64.6%	65.6%	66.2%	67.6%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	74.2%	79.8%	73.4%	72.4%	68.8%	68.3%	68.8%	68.7%	67.8%	66.5%	64.2%	62.3%	61.1%
Total Payout Ratio ((Divs. + Repurchases)/NI)	75.4%	94.7%	95.6%	94.3%	90.7%	91.3%	88.5%	86.4%	85.0%	81.7%	78.1%	74.9%	71.5%
FCF Payout Ratio (Divs. / FCF)	68.7%	86.2%	114.1%	66.5%	86.7%	78.4%	80.1%	84.1%	78.5%	75.6%	73.1%	68.3%	64.6%

**M/S = Marketable securities*
***STI = Short-term investments*

The Coca-Cola Company

Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating lease ROU assets	**1418.0**	**1406.0**	**1328.0**	**1502.2**	**1653.8**	**1777.3**	**1879.3**	**2013.0**	**2102.8**	**2148.6**	**2189.1**	**2196.1**	**2173.6**
Weighted Avg Discount Rate	2.70%	2.90%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%	3.40%
Interest on Oper. Leases	**41.8**	**41.1**	**47.8**	**45.2**	**51.1**	**56.2**	**60.4**	**63.9**	**68.4**	**71.5**	**73.1**	**74.4**	**74.7**

The Coca-Cola Company
Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	47
Average Time to Maturity (years):	4.70
Expected Annual Number of Options Exercised:	10
Current Average Strike Price:	$ 48.52
Cost of Equity:	5.98%
Current Stock Price:	$71.00

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Increase in Shares Outstanding:	10	10	10	10	7	0	0	0	0	0
Average Strike Price:	$ 48.52	$ 48.52	$ 48.52	$ 48.52	$ 48.52	$ 48.52	$ 48.52	$ 48.52	$ 48.52	$ 48.52
Increase in Common Stock Account:	**485**	**485**	**485**	**485**	**340**	**-**	**-**	**-**	**-**	**-**
Share Repurchases ($)	2,500	2,750	3,000	2,600	2,400	2,400	2,200	2,100	2,000	1,700
Expected Price of Repurchased Shares:	$ 71.00	$ 73.33	$ 75.73	$ 78.22	$ 80.78	$ 83.43	$ 86.17	$ 89.00	$ 91.92	$ 94.93
Number of Shares Repurchased:	**35**	**38**	**40**	**33**	**30**	**29**	**26**	**24**	**22**	**18**
Shares Outstanding (beginning of the year)	4,308	4,283	4,255	4,226	4,202	4,180	4,151	4,125	4,102	4,080
Plus: Shares Issued Through ESOP	10	10	10	10	7	0	0	0	0	0
Less: Shares Repurchased in Treasury	35	38	40	33	30	29	26	24	22	18
Shares Outstanding (end of the year)	**4,283**	**4,255**	**4,226**	**4,202**	**4,180**	**4,151**	**4,125**	**4,102**	**4,080**	**4,062**

The Coca-Cola Company
Valuation of Options Granted under ESOP

Current Stock Price	$71.00
Risk Free Rate	3.73%
Current Dividend Yield	2.70%
Annualized St. Dev. of Stock Returns	15.55%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Total	47	$ 48.52	4.70	$ 30.46	**$ 1,064**

The Coca-Cola Company

Sensitivity Tables

Beta (columns) × Equity Risk Premium (rows)

72.11	0.30	0.35	0.40	0.45	0.50	0.55	0.60
4.7%	91.45	85.13	79.58	74.68	70.31	66.40	62.87
4.8%	90.59	84.26	78.71	73.80	69.44	65.54	62.03
4.9%	89.75	83.40	77.85	72.95	68.60	64.70	61.20
5.0%	88.92	82.56	77.01	72.11	67.77	63.89	60.40
5.1%	88.11	81.74	76.18	71.29	66.96	63.09	59.61
5.2%	87.31	80.93	75.37	70.49	66.16	62.30	58.84
5.3%	86.53	80.14	74.58	69.70	65.39	61.54	58.09

CV COGS (columns) × CV SG&A (rows)

72.11	35.0%	35.5%	36.0%	36.5%	37.0%	37.5%	38.0%
29.0%	78.44	77.38	76.33	75.27	74.22	73.17	72.11
29.5%	77.38	76.33	75.27	74.22	73.17	72.11	71.06
30.0%	76.33	75.27	74.22	73.17	72.11	71.06	70.00
30.5%	75.27	74.22	73.17	72.11	71.06	70.00	68.95
31.0%	74.22	73.17	72.11	71.06	70.00	68.95	67.89
31.5%	73.17	72.11	71.06	70.00	68.95	67.89	66.84
32.0%	72.11	71.06	70.00	68.95	67.89	66.84	65.78

Risk-Free Rate (columns) × Pre-Tax Cost of Debt (rows)

72.11	3.40%	3.50%	3.60%	3.73%	3.80%	3.90%	4.00%
4.30%	79.35	77.20	75.16	72.66	71.37	69.60	67.92
4.40%	79.10	76.97	74.94	72.45	71.17	69.41	67.73
4.50%	78.86	76.74	74.72	72.24	70.96	69.22	67.55
4.56%	78.71	76.60	74.58	72.11	70.84	69.10	67.44
4.60%	78.61	76.50	74.50	72.03	70.76	69.02	67.36
4.70%	78.37	76.27	74.28	71.82	70.56	68.83	67.18
4.80%	78.13	76.04	74.06	71.62	70.36	68.64	67.00

Marginal Tax Rate (columns) × CV Growth NOPLAT (rows)

72.11	19.00%	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%
1.00%	62.78	62.00	61.22	60.43	59.64	58.85	58.06
1.33%	66.15	65.33	64.51	63.69	62.87	62.04	61.21
1.67%	70.20	69.34	68.48	67.61	66.75	65.88	65.00
2.00%	74.84	73.93	73.02	72.11	71.20	70.28	69.36
2.33%	80.39	79.43	78.46	77.50	76.53	75.55	74.57
2.67%	87.37	86.35	85.31	84.28	83.24	82.20	81.15
3.00%	95.83	94.73	93.62	92.51	91.39	90.27	89.14

Unit Case Growth Δ ('24-'33) (columns) × C/O Vol. Proportion (rows)

72.11	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
81.00%	63.39	66.80	70.37	74.08	77.96	81.99	86.20
81.50%	62.82	66.21	69.74	73.43	77.27	81.27	85.44
82.00%	62.25	65.61	69.11	72.77	76.58	80.55	84.69
82.50%	61.68	65.01	68.49	72.11	75.89	79.83	83.93
83.00%	61.11	64.41	67.86	71.45	75.20	79.10	83.17
83.50%	60.54	63.82	67.23	70.80	74.51	78.38	82.42
84.00%	59.97	63.22	66.61	70.14	73.82	77.66	81.66

Inventory Δ ('24-'33) (columns) × A/R Δ ('24-'33) (rows)

72.11	-6.00%	-4.00%	-2.00%	0.00%	2.00%	4.00%	6.00%
-6.00%	74.42	74.04	73.65	73.27	72.88	72.50	72.11
-4.00%	74.04	73.65	73.27	72.88	72.50	72.11	71.73
-2.00%	73.65	73.27	72.88	72.50	72.11	71.73	71.34
0.00%	73.27	72.88	72.50	72.11	71.73	71.34	70.96
2.00%	72.88	72.50	72.11	71.73	71.34	70.96	70.57
4.00%	72.50	72.11	71.73	71.34	70.96	70.57	70.18
6.00%	72.11	71.73	71.34	70.96	70.57	70.18	69.80

Interquartile Price Range

		Q1	Q3	*IQR*
Beta	ERP	65.05	81.34	*16.29*
Rf	Pre-Tax rD	69.31	76.39	*7.08*
A/P Δ	Acc.Exp. Δ	65.91	78.74	*12.84*
CV COGS	CV SG&A	70.00	74.22	*4.22*
CV NOPLAT	Tax Rate	64.76	82.72	*17.96*
A/R Δ	Inventory Δ	71.34	72.88	*1.54*
Average		**67.73**	**77.71**	*9.99*
Median		**67.61**	**77.57**	*9.96*

The Coca-Cola Company

Scenario Testing

Scenario	DCF/EP Value		% change from IV
Revenue Outperform (Unit Rev +2%, COGS -0.5%, SG&A -0.5%)	$	78.42	8.9%
Revenue Underperform (Unit Rev -2%, COGS +0.5%, SG&A +0.5%)	$	66.17	-8.1%
Technological Improvements (Unit Rev +1%, COGS -1%)	$	75.58	5.0%
Stagnant Technology (Unit Rev -1%, COGS +1%)	$	68.75	-4.5%
4.50-4.75 FFR by '24 FYE (rf = 4.0%, ERP = 5.25%, rD = 4.7%)	$	65.41	-9.2%
4.00-4.25 FFR by '24 FYE (rf = 3.7%, ERP = 4.75%, rD = 4.4%)	$	75.19	4.4%
Higher CapEx (CapEx +300mm/yr, Dep. Rate +3%)	$	70.65	-1.9%
Lower CapEx (CapEx -300mm/yr, Dep.Rate -2%)	$	73.53	2.1%
IRS Tax Litigation ruling ('25 income tax +$8bn)	$	70.43	-2.2%

Average	**$**	**71.57**
Median	**$**	**70.65**