Fundamental Analysis:
The Coca-Cola Company

Guardians of the Balance Sheet

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10/20/2025

Investment Thesis

Company Overview

Company Name	The Coca-Cola Company
Ticker	KO
Current Price	68.44
Current Date	10/17/2025
Target Price	72.32
Target Date	10/17/2030
Industry	Soft Drinks & Non-Alcoholic Beverages
Sector	Consumer Staples
Shares Outstanding	4.3B
Market Cap	$294.5 B
Monthly Trading Volume	282.6 M
Beta	0.44

The Coca-Cola Company, a beverage company, manufactures and sells various nonalcoholic beverages in the United States and internationally. The company provides sparkling soft drinks and flavors; water, sports, coffee, and tea; juice, value-added dairy, and plant-based beverages; and other beverages. It also offers beverage concentrates and syrups, as well as fountain syrups to fountain retailers comprising restaurants and convenience stores.

Investment Thesis

BUY ~$5,000 of KO

PROS

- **Well-Established, Stable Company**
- **High Dividend Growth**
- **High Operating Margins**

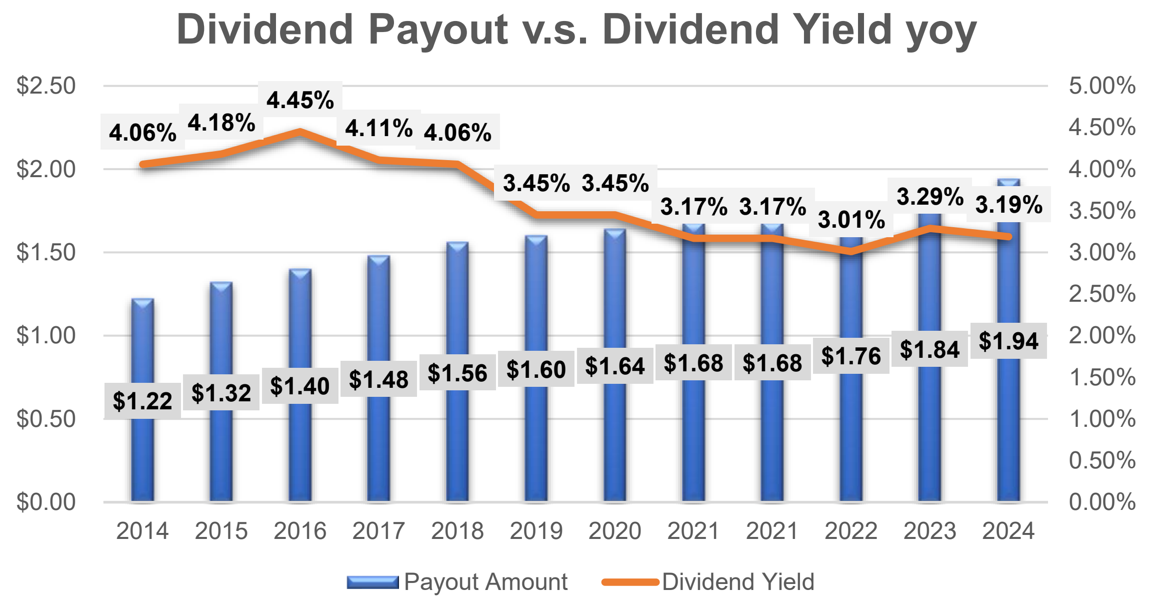
CONS

- **Legal Battles**
- **Shift in Consumer Demand**

Historicals

- ***Company Background:*** *Originated in 1886 by a pharmacist as a caramel-colored syrup. Transformed into a global brand through innovative marketing and by outsourcing its bottling and distribution operations.*
- ***Brands:*** *Fanta, Sprite, Minute Maid, Vitamin Water, Fairlife, Dasani, Body Armour*
- ***Recent Performance:***
    - *FY 2024 Revenue: ~46.8B, up ~2% compared to FY 2023*
    - *FY 2024 Gross Profit Margin: ~61.2%, up ~1.4% compared to FY 2023*
    - *YTD Performance: +8.43%, 1-year: -4.02%, Market Cap: 294.5B*
- ***Volatility Measures:***
    - *Beta (5Y, monthly): 0.44*
    - *Annualized Volatility (5Y): 16.5%*

Historicals



Historicals

***1892**: Incorporated by a businessman who purchased the formula and rights*

***1928**: Global expansion, Olympics sponsor, supplies troops during WWII*

***1960**: First diversification beyond carbonated drinks. Acquires Minute Maid, diversifying into the fruit juice market*

***2013-2017**: Sold bottling plants to partners, signaling a major focus shift towards marketing, product development, and brand growth*

DCF - WACC

WACC Calculations	
Capital Structure	
Total Debt	$45,735.00
Total Equity	$295,455.48
Debt-to-Total Capitalization	13.4%
Equity-to-Total Capitalization	86.6%
Cost of Debt	
Cost of Debt	*4.0%*
Tax Rate	*18.9%*
After-Tax Cost of Debt	3.2%
Cost of Equity	
Risk-free Rate	*4.0%*
Market Risk Premium	6.1%
Levered Beta	*0.44*
Cost of Equity	6.7%
WACC	**6.2%**

Cost of Debt = Interest Income/ Total Debt

Risk-free rate: 10-year U.S. Treasury yield

Tax Rate from Bloomberg

Market Risk Premium from Bloomberg

Levered Beta from Bloomberg

DCF – Assumptions Base Case

Select Operating Data

	(in millions)			Projected Annual Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Period				1	2	3	4	5
Revenue	$43,004.0	$45,754.0	$47,061.0	$49,649.4	$52,429.7	$55,418.2	$58,521.6	$61,740.3
Growth Rate (%)		6.4%	2.9%	5.5%	5.6%	5.7%	5.6%	5.5%
EBITDA	$13,828.0	$15,607.0	$15,817.0	$16,384.3	$17,301.8	$18,288.0	$19,312.1	$20,374.3
EBITDA Margin (%)	32.2%	34.1%	33.6%	33.0%	33.0%	33.0%	33.0%	33.0%
EBIT	12,568.0	14,479.0	14,742.0	$14,894.8	$15,728.9	$16,625.5	$17,556.5	$18,522.1
EBIT Margin (%)	29.2%	31.6%	31.3%	30.0%	30.0%	30.0%	30.0%	30.0%
Depreciation & Amortization	$1,260.0	$1,128.0	$1,075.0	$1,241.2	$1,310.7	$1,385.5	$1,463.0	$1,543.5
D&A as a % of revenue	2.9%	2.5%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%

Accounts Receivable Growth (%)	5.5%	5.6%	5.7%	5.6%	5.5%
Inventories Growth (%)	5.5%	5.6%	5.7%	5.6%	5.5%
Accounts Payable Growth (%)	2.0%	2.0%	2.0%	2.0%	2.0%
Accrued Expenses Growth (%)	10.0%	11.0%	12.0%	13.0%	13.0%
Capital Expenditures Growth (%)	10.0%	10.0%	10.0%	10.0%	10.0%

DCF - Calculations

Terminal Value	
Growth in perpetuity method:	
Long term growth rate	2.0%
WACC	6.2%
Free cash flow (t+1)	19,659.6
Terminal Value	464,000.3
Present Value of Terminal Value	**$342,878.2**

Long-term growth rate:
- Based on company maturity and estimated inflation Rate

Enterprise Value to Equity Value	
Enterprise Value	$412,667.2
Less: Net debt	33,694.0
Equity Value	**$378,973.2**
Diluted Shares Outstanding	4,317.0
Equity Value Per Share	**$87.79**

Multiples

Investment Thesis | Historicals | Valuation | Industry Analysis | Business Model | Governance | Risk and Growth | Conclusion

	Market and Financial Data						Valuation		
Company Name	Price	Market Cap (B)	Enterprise Value (M)	LTM Sales (M)	LTM EBITDA (M)	Earnings (M)	EV / Sales	EV / EBITDA	P/E
Target									
Coca-Cola Company	68.42	294.39	331,138.40	47,186.00	15,700.60	10,631.00	7.0x	21.1x	28.59
Comparable companies									
PepsiCo Inc	153.71	210.11	252,455.30	92,366.00	17,365.00	10,782.60	2.7x	14.5x	23.84
Keurig Dr Pepper Inc	28.02	38.07	55,252.10	15,759.00	4,588.10	2,409.80	3.5x	12.0x	24.87
Monster Beverage Corp	70.26	68.62	66,584.10	7,659.20	2,317.30	1,688.10	8.7x	28.7x	36.76
Anheuser-Busch InBev SA	62.14	125,751.40	204,526.90	58,519.00	21,653.00	8,454.60	1.6x	9.4x	20.04
Nestle SA	106.42	275,897.70	351,494.90	106,594.20	22,183.20	13,480.40	0.8x	15.8x	31.15

	EV / Sales	EV / EBITDA	P/E
Mean	3.5x	16.1x	27.3x
Median	2.7x	14.5x	24.9x
25 Percentile	1.6x	12.0x	23.8x
75 Percentile	3.5x	15.8x	31.2x
Standard deviation	3.107	7.464	6.612

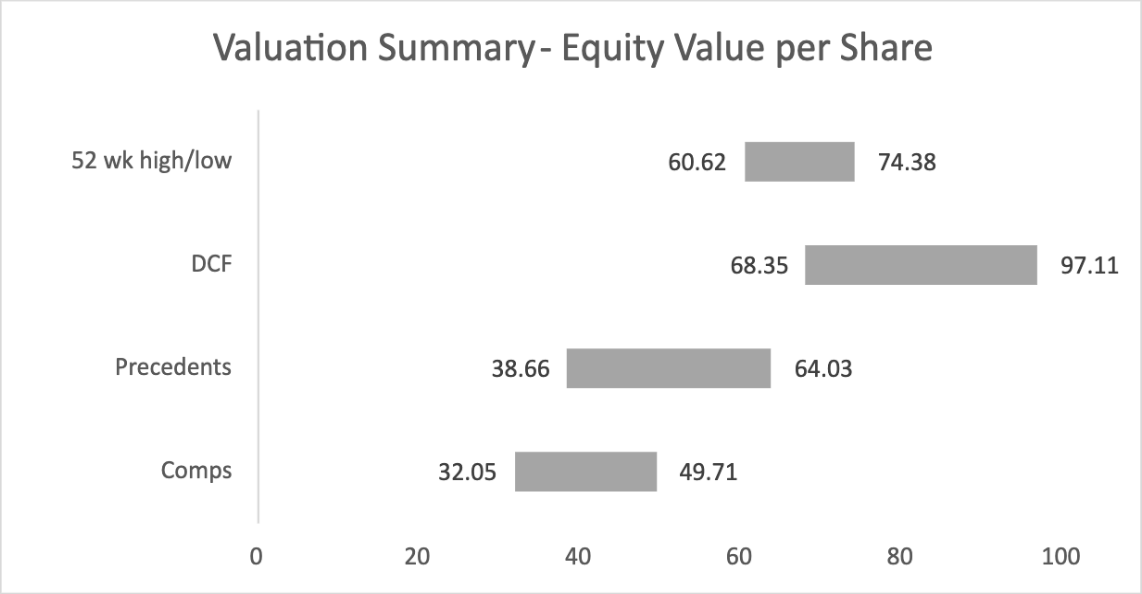
Implied Stock Price	
25 Percentile	32.05
75 Percentile	49.71
Mean	46.74

Precedent Transactions

Date	Target	Buyer	Target Business Descrption	Transcation Value	Revenue	EBITDA	EV / Revenue	EV / EBITDA
8/3/2018	SodaStream	PepsiCo	At-home drink maker	3,200	543	104	5.90x	30.80x
7/9/2018	Dr Pepper Snapple	Keurig Green Mountain	Multinational soft drink company	18,700	6,700	1,100	2.80x	17.60x
1/3/2019	Costa Coffee	Coca-Cola	Gives Coca-Cola coffee platform worldwide	5,100	1,300	238	3.00x	16.40x
11/1/2021	BodyArmor	Coca-Cola	Tap into sports drink industry	5,600	1,100	N/A	5.50x	N/A
4/1/2025	Alani Nu	Celcius Holdings	Healthier, zero-sugar beverage alternatives	1,800	2,000	N/A	0.90x	N/A
5/19/2025	Poppi	PepsiCo	Prebiotic soda beverages	1,950	500	N/A	3.90x	N/A
				Mean			3.67x	21.60x
				Median			3.45x	17.60x
				25 Percentile			2.85x	17.00x
				75 Percentile			5.10x	24.20x
				Standard deviation			1.858	7.990

Implied Stock Price	
25 Percentile	39.24
75 Percentile	64.62
Mean	52.06

Weighted Valuation



DCF **Implied Share Price**

Approach	Base	Downside	Upside
Perpetuity	$87.79	$68.35	$97.11

Implied Stock Price	
Total DCF	$87.79
Comparables	$46.74
Precedent Transactions	$51.48

Weights	
DCF	60%
Comparables	20%
Precedent Transactions	20%

Target Price	72.32

Current price	68.44

Industry Trends – Present and Historically

Consumer Beverage Industry:

- *Lower Volatility, high dividend yields, stable profit margin*
- *Underperforms in bull markets, outperforms with macroeconomic uncertainties*
- *Driven by consumer preferences and regulatory pressures*
- *High barrier for new entrants, dominated by global giants*

Industry Outlook:

- *Further consolidation*
- *Consumer preferences are shifting towards a healthier lifestyle*
- *Innovation in health-focused offerings, digital distribution, and sustainability*

P	E	S	T	E	L
Political	Economical	Social	Technological	Environmental	Legal
50% tariff on aluminum imports Sugar taxes and ingredient bans (such as BVO) Stricter packaging and recycling laws globally	Input inflation is squeezing margins Emerging markets driving growth as U.S./EU mature M&A surge (e.g. PepsiCo acquires Poppi)	Consumer preferences have shifted towards a healthier lifestyle Focus on high protein, high fiber, low-sugar options	New packaging processes (such as bio-based plastics) Digital marketing initiatives to reach consumers	Water scarcity in some regions impacting sourcing Extreme weather can affect crop yields Compliance with sustainability initiatives	Legal Battle with IRS Nutrition + ingredient disclosure regulations Trademarks + patents on formula, packaging, marketing

Competitive Landscape

Threat of New Entrants (Low)
- Industry already has established key players
- Significant capital requirements to enter

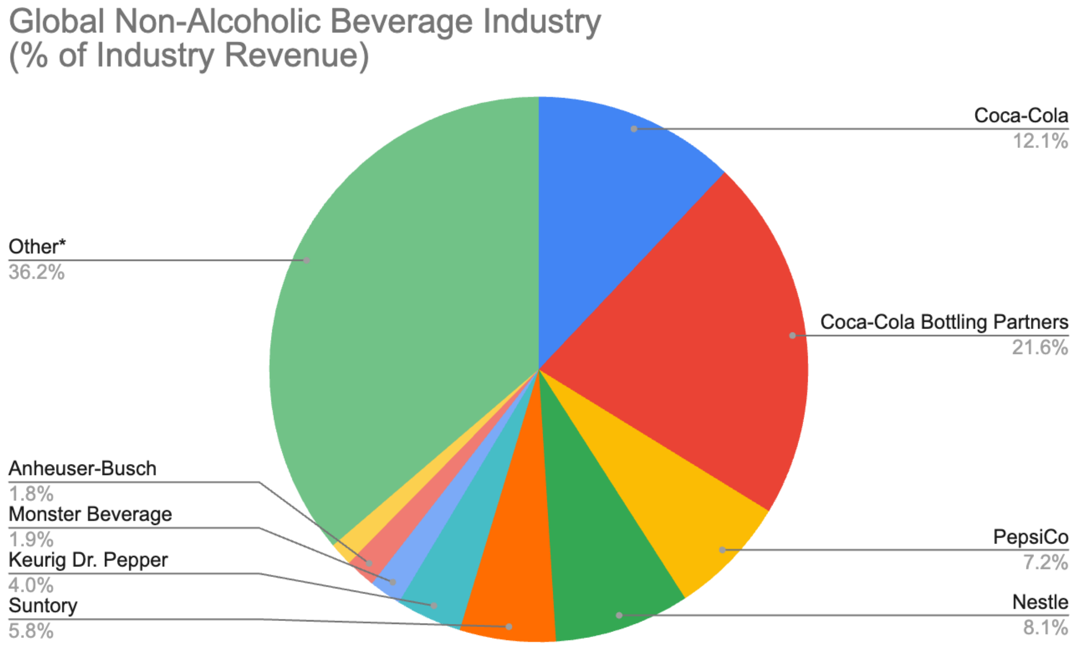
Bargaining Power of Buyers (Low)
- Coca-Cola dominates market, dictating price
- Diversified product portfolio reduces dependence on any single customer

Bargaining Power of Suppliers (Medium)
- Key raw materials are widely available
- Ability to leverage bottling partnerships to create favorable terms
- Some specialty inputs are subject to cost pressure

Threat of Substitutes (Medium)
- Substitutes defined as outside of non-alcoholic beverage industry (coffee/cafes, alcoholic beverages, at-home beverages)
- Most of these substitutes fulfill a different consumer need than Coca-Cola

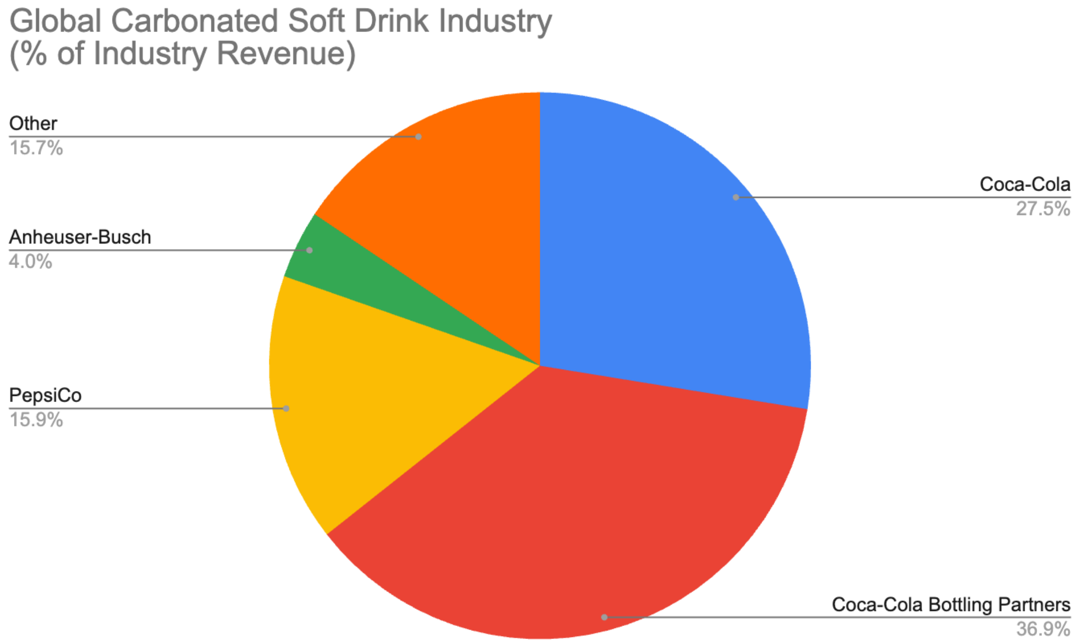
Rivalry Among Competitors (High)
- Strong competition from PepsiCo (global) and large regional brands (ex. Suntory in Asia-Pacific)
- Growing competition from smaller/private-label brands and health-conscious soda alternatives

Industry Analysis



*Other category includes local/regional brands and smaller players (under 1% industry revenue)

- Coca-Cola and its bottling partners make up over **33%** of the global non-alcoholic beverage industry



- Carbonated soft drinks is Coca-Cola's primary industry (>50% of Coca-Cola's total revenue)
- Coca-Cola and partners make up **nearly 2/3** of the industry revenue for carbonated soft drinks

Business Model

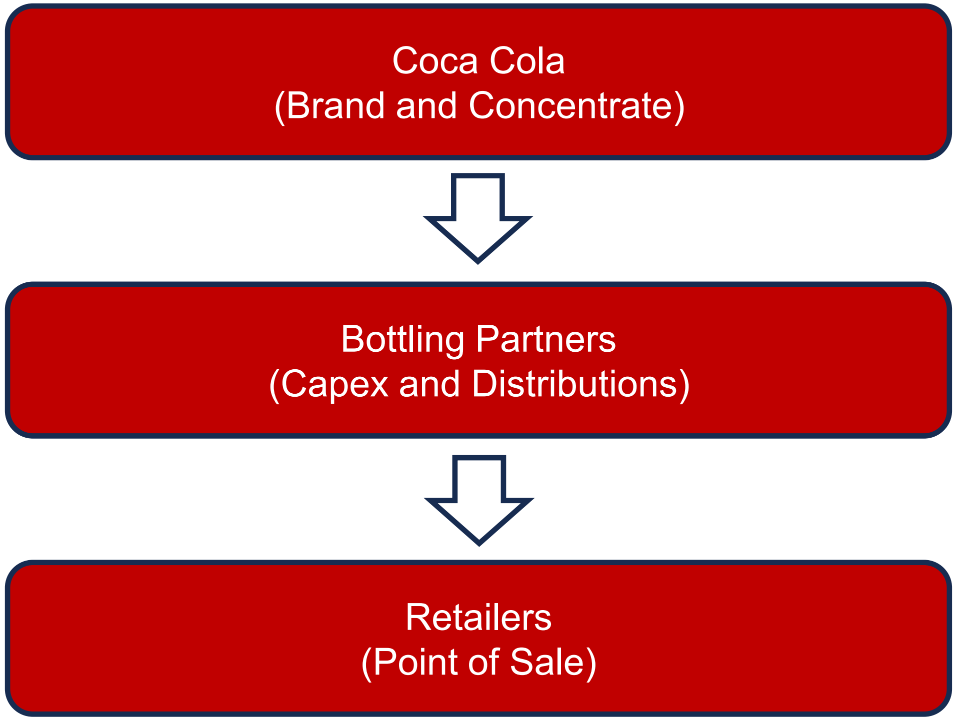
Why Customers Buy

Consumers choose Coca-Cola products due to a powerful combination of brand loyalty, consistent quality, and unparalleled availability.

- ***Dominant Market Share:*** *Commands an estimated **27.5%** of the global carbonated soft drink market share (~**64.4%** including partners)*
- ***Beverages for Life:*** *Establishes trust through program that makes drinks for each stage of life*
- ***Global Reach:*** *Over **2.2 billion servings** consumed daily worldwide*
- ***Taste!***

Capital-Light Model

Coca-Cola's capital-light model captures the highest-margin segment of the value chain.



Business Model

Unmatched Brand

- *"Revenue Growth Management" strategy*
- *Primary incentive is emotional connection, taste & trust*
- *Cultivated by $4B+ annual marketing spend*

Economies of Scale

- *Operating margins (32.9% in 2025) are industry-leading*
- *Outperforms industry average of 15-20%*
- *Capital-light model drives high ROIC*

Management and Employees

Senior Leadership:

- ***James Quincey (Chairman & CEO):***
  - *Started the "Beverages for Life" strategy.*
  - *Drove global expansion of Coke Zero Sugar ($3B in sales annually)*
  - *Employee at Coca Cola for 29 years*
- ***John Murphy (President & CFO)**:*
  - *Executed refranchising of bottling operations*
  - *Worked in North America, Latin America, Asian Pacific branches, etc.*
  - *Employee at Coca Cola for 37 years*
- ***Henrique Braun (COO):***
  - *Double-digit organic revenue growth for 5 years running as President of Latin America group*
  - *Executed digital commerce initiative*
  - *Employee at Coca Cola for 30 years*

Board Quality & Quantitative Governance

- ***Board Independence:***
  - *Mostly independent board with average director tenure of **7.5 years***
- ***Shareholder Alignment:***
  - Directors maintain an equity ownership level of at least five times the annual cash income
- ***Insider Trades (SEC Form 4):***
  - *No significant discretionary insider sales reported*
- ***Governance Record:***
  - *Ongoing legal battle with the IRS over transfer pricing (Currently appealing Tax Courts decision)*

SWOT Analysis

Strengths

- Global brand recognition and loyalty
- Global bottling partnerships --> economies of scale
- Diversification among beverage types

Weaknesses

- Despite diversification, dependence on carbonated soft drinks (Potential sale of Costa Coffee for ~2bil)
- Exposure to commodity price fluctuations

Opportunities

- Expansion in emerging markets
- Alignment with health-conscious consumer trends
- Further develop sustainable packaging initiatives

Threats

- Ongoing Legal Battle
- Regulations/Taxation (Aluminum tariff, packaging regulations)
- Rivalry with major competitors

Final Recommendation

Investment Thesis/Company Overview – BUY $5,000 of KO

Valuation – Implied Stock Price at $72.32, which is 5.67% higher than current

Industry Analysis – low volatility, high dividends yields, recession-proof, driven by consumer preferences and regulatory pressures, dominated by global giants, outperforms broader market during times of economic uncertainties

Business Model – Best margins in the industry

Governance – Impressive management team – profit tied to performance

Risks and Growth – Changing consumer preferences, Regulatory & Political Risks, Competition

Recommendation - BUY $4790.80 of KO (equal to 70 shares), target price: $72.32, target date: 10/17/2030

Exhibits

DCF – Downside Assumptions

Select Operating Data

				Projected Annual Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Period				1	2	3	4	5
Revenue	$43,004.0	$45,754.0	$47,061.0	$48,943.4	$50,999.1	$53,192.0	$55,426.1	$57,643.1
Growth Rate (%)		*6.4%*	*2.9%*	*4.0%*	*4.2%*	*4.3%*	*4.2%*	*4.0%*
EBITDA	$13,828.0	$15,607.0	$15,817.0	$15,172.5	$15,809.7	$16,489.5	$17,182.1	$17,869.4
EBITDA Margin (%)	*32.2%*	*34.1%*	*33.6%*	*31.0%*	*31.0%*	*31.0%*	*31.0%*	*31.0%*
EBIT	12,568.0	14,479.0	14,742.0	$13,704.2	$14,279.7	$14,893.8	$15,519.3	$16,140.1
EBIT Margin (%)	*29.2%*	*31.6%*	*31.3%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*
Depreciation & Amortization	$1,260.0	$1,128.0	$1,075.0	$1,321.5	$1,377.0	$1,436.2	$1,496.5	$1,556.4
D&A as a % of revenue	*2.9%*	*2.5%*	*2.3%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*

DCF – Downside Assumptions

Select Balance Sheet And Other Data				Projected Annual Forecast				
	2022	2023	2024	2025	2025	2026	2027	2028
Period					1	2	3	4
Cash	$9,519.0	$9,366.0	$10,828.0	10,828.0	10,828.0	10,828.0	10,828.0	10,828.0
Accounts Receivable	3,487.0	3,410.0	3,569.0	3,747.5	3,934.8	4,131.6	4,338.1	4,555.0
Inventories	4,233.0	4,424.0	4,728.0	4,917.1	5,113.8	5,318.4	5,531.1	5,752.3
Accounts Payable	$5,307.0	$5,590.0	$5,468.0	$5,604.7	$5,744.8	$5,888.4	$6,035.6	$6,186.5
Accrued Expenses	11,128.0	10,812.0	17,198.0	19,433.7	22,154.5	25,477.6	29,299.3	33,694.2
Debt	39,149.0	42,064.0	44,522.0	44,522.0	44,522.0	44,522.0	44,522.0	44,522.0
Capital Expenditures	1,484.0	1,852.0	2,064.0	2,270.4	2,520.1	2,822.6	3,189.5	3,604.1
Accounts Receivable Growth (%)		*-2.2%*	*4.7%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Inventories Growth (%)		*4.5%*	*6.9%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
Accounts Payable Growth (%)		*5.3%*	*-2.2%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
Accrued Expenses Growth (%)		*-2.8%*	*59.1%*	*13.0%*	*14.0%*	*15.0%*	*15.0%*	*15.0%*
Capital Expenditures Growth (%)		*24.8%*	*11.4%*	*10.0%*	*11.0%*	*12.0%*	*13.0%*	*13.0%*

DCF – Downside Calculations

Terminal Value	
Growth in perpetuity method:	
Long term growth rate	1.0%
WACC	6.2%
Free cash flow (t+1)	18,527.2
Terminal Value	353,759.3
Present Value of Terminal Value	**$261,411.0**

Enterprise Value to Equity Value	
Enterprise Value	$328,963.8
Less: Net debt	33,694.0
Equity Value	**$295,269.8**
Diluted Shares Outstanding	4,320.0
Equity Value Per Share	**$68.35**

DCF – Upside Assumptions

Select Operating Data

				Projected Annual Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Period				1	2	3	4	5
Revenue	$43,004.0	$45,754.0	$47,061.0	$49,884.7	$52,977.5	$56,315.1	$59,806.6	$63,395.0
Growth Rate (%)		*6.4%*	*2.9%*	*6.0%*	*6.2%*	*6.3%*	*6.2%*	*6.0%*
EBITDA	$13,828.0	$15,607.0	$15,817.0	$16,960.8	$18,012.4	$19,147.1	$20,334.3	$21,554.3
EBITDA Margin (%)	*32.2%*	*34.1%*	*33.6%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*
EBIT	12,568.0	14,479.0	14,742.0	$15,464.2	$16,423.0	$17,457.7	$18,540.1	$19,652.5
EBIT Margin (%)	*29.2%*	*31.6%*	*31.3%*	*31.0%*	*31.0%*	*31.0%*	*31.0%*	*31.0%*
Depreciation & Amortization	$1,260.0	$1,128.0	$1,075.0	$1,147.3	$1,218.5	$1,295.2	$1,375.6	$1,458.1
D&A as a % of revenue	*2.9%*	*2.5%*	*2.3%*	*2.3%*	*2.3%*	*2.3%*	*2.3%*	*2.3%*

DCF – Upside Assumptions

Select Balance Sheet And Other Data

				Projected Annual Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Period				1	2	3	4	5
Cash	$9,519.0	$9,366.0	$10,828.0	10,828.0	10,828.0	10,828.0	10,828.0	10,828.0
Accounts Receivable	3,487.0	3,410.0	3,569.0	3,818.8	4,093.8	4,392.6	4,708.9	5,038.5
Inventories	4,233.0	4,424.0	4,728.0	4,988.0	5,262.4	5,551.8	5,857.2	6,179.3
Accounts Payable	$5,307.0	$5,590.0	$5,468.0	$5,550.0	$5,633.3	$5,717.8	$5,803.5	$5,890.6
Accrued Expenses	11,128.0	10,812.0	17,198.0	18,797.4	20,545.6	22,456.3	24,544.7	26,827.4
Debt	39,149.0	42,064.0	44,522.0	44,522.0	44,522.0	44,522.0	44,522.0	44,522.0
Capital Expenditures	1,484.0	1,852.0	2,064.0	2,249.8	2,452.2	2,672.9	2,913.5	3,175.7
Accounts Receivable Growth (%)		*-2.2%*	*4.7%*	*7.0%*	*7.2%*	*7.3%*	*7.2%*	*7.0%*
Inventories Growth (%)		*4.5%*	*6.9%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*
Accounts Payable Growth (%)		*5.3%*	*-2.2%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
Accrued Expenses Growth (%)		*-2.8%*	*59.1%*	*9.3%*	*9.3%*	*9.3%*	*9.3%*	*9.3%*
Capital Expenditures Growth (%)		*24.8%*	*11.4%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

DCF – Upside Calculations

Terminal Value	
Growth in perpetuity method:	
Long term growth rate	2.5%
WACC	6.2%
Free cash flow (t+1)	19,329.3
Terminal Value	518,711.9
Present Value of Terminal Value	**$383,498.6**

Enterprise Value to Equity Value	
Enterprise Value	$452,914.1
Less: Net debt	33,694.0
Equity Value	**$419,220.1**
Diluted Shares Outstanding	4,317.0
Equity Value Per Share	**$97.11**