



(KO US)



**Coca-Cola** is an American soft drink beverage company, manufacturer and seller of nonalcoholic beverages. Coca-Cola reaches approximately 5.8 billion consumers worldwide in roughly 200 markets, making more than 40% of the non-alcoholic beverage industry market share.

The company specializes in beverages exclusively, focusing on franchising to its global bottling partners, merging/acquiring small local businesses to expand in local markets. The most lucrative segment of the market takes place in North America constituting 37.9% of their total 3Q22 revenue. Coca-Cola is known by investors for offering consistent dividends for over a 100 years.

Growth Management

JP Morgan believes that with Coca-Cola’s will continue to push their revenue growth management to balance affordability with their status as a premium brand. Rather than focus on increasing supply, Coca-Cola will more carefully manage price as their industry consumption appears resilient. They expect an overall gross margin expansion of +10 bps.

Zacks Company has a similar opinion as 3Q22 results seem to imply that the momentum from the previous quarters will allow Coca-Cola to generate further revenue growth of 14.8% in-line with Coca-Cola’s 2022 view of its earnings. They are also optimistic in terms of diverse consumption channels, being impressed by their increased e-commerce investment as well as increasing performance of growth in both developed and developing countries.

Flexibility vs Diversity

Coca-Cola has historically been very flexible about the types of products they put on the market, limiting their brands to only the most profitable and adopting different products such as sports drinks, juices, coffee, etc. to diversify it’s fairly limited range. To support sales growth, Coca-Cola has continued to acquire other brands such as BODYARMOR and has further invested in their marketing, this has resulted in overall higher costs and increased operating margins.

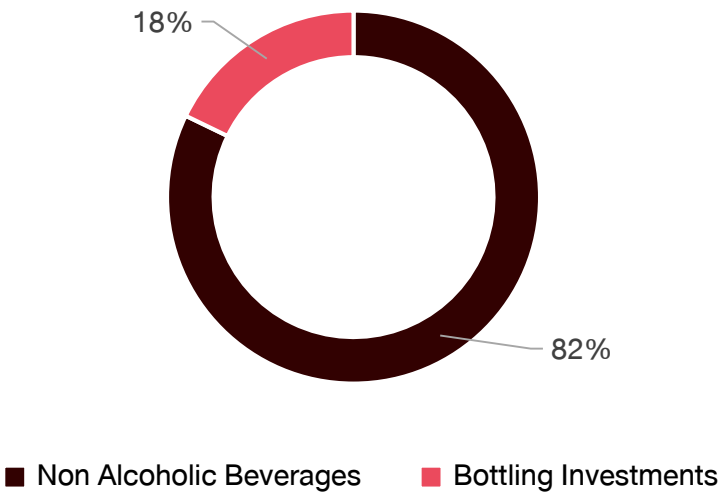
Even though the Coca-Cola brand has been able to outperform even their own 2022 predictions, competitors such as PepsiCo are doing the same and are more naturally diversified due to product offerings of snacks and are less impacted by consumer’s continual move towards the growing healthier lifestyle trend.

Industry	Retail – Beverages
Last Price	USD60.12
Bloomberg TP	USD68.36
Upside/Downside	13.7%

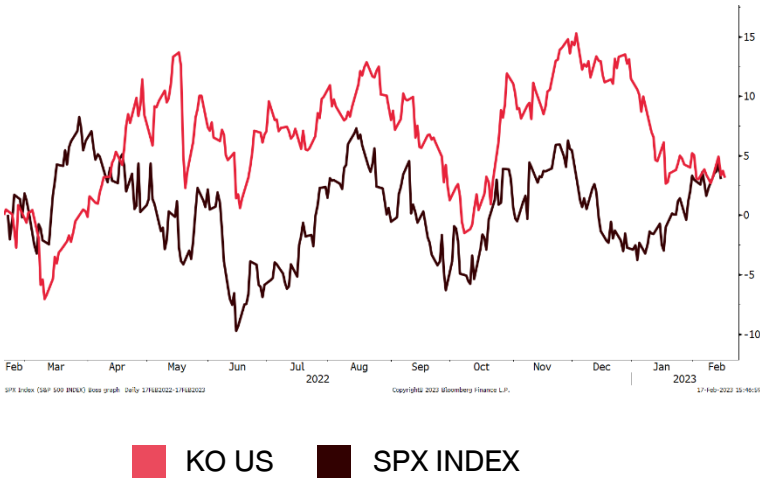
Financial (USD)	22A	23E	24E
Revenue (Millions)	43,004.0	44,813.4	47,205.6
Net Profit (Millions)	10,223.0	11,261.8	12,112.3
Profit Margin	23.8%	25.1%	25.7%
EBITDA Margin	30.3%	32.2%	32.7%

Valuation	22A	23E	24E
P/E (x)	27.11	23.19	21.54
P/B (x)	11.42	9.20	8.24

Revenue Breakdown



YTD Return VS S&P 500 Index



Financial Ratios

Comparing Coca-Cola Co. to its competitors PepsiCo and Keurig Dr Pepper, Coca-Cola Co. is over-valued. Though its PE ratio is 24.16 lower than its most immediate competitor PepsiCo (25.86) the PE ratio is still 22.16 higher than the industry average. The PBV ratio is on the higher end at 11.39 and the PEG is also high at 5.92, though both KO and PEP are higher than the industry standard average, they also (together) make up about 70% of the market share.

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Sources: Goldman Sachs, JP Morgan, Yahoo Finance, Zacks Company, Bloomberg(as of 08.02.23)

