



The Coca-Cola Company (KO)

Updated October 30th, 2023, by Josh Arnold

Key Metrics

Current Price:	\$55	5 Year CAGR Estimate:	11.3%	Market Cap:	\$239 B
Fair Value Price:	\$62	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	11/30/23
% Fair Value:	89%	5 Year Valuation Multiple Estimate:	2.5%	Dividend Payment Date:	12/15/23
Dividend Yield:	3.3%	5 Year Price Target	\$83	Years Of Dividend Growth:	61
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Coca-Cola is the world's largest beverage company, as it owns or licenses more than 500 unique non-alcoholic brands. Since the company's founding in 1886, it has spread to more than 200 countries worldwide. It has a market capitalization of \$239 billion and its brands account for about 2 billion servings of beverages worldwide every day, producing about \$45 billion in annual revenue. The company also has an exceptional 61-year dividend increase streak, making it a Dividend King.

Coca-Cola posted third quarter earnings on October 24th, 2023, and results were much better than expectations. Adjusted earnings-per-share came to 74 cents, which was a nickel better than estimates. Revenue was \$12 billion, up 8.1% year-over-year, and a full \$580 million ahead of expectations.

Organic revenue was up 11% during the quarter, beating estimates by 4%. The company saw gains in Latin America (+20%), EMEA (+20%), North America (+9%), Bottling Investments (+18%), and Global Ventures (+9%). Volume was up 2%, while price and mix accounted for a 9% gain in the top line.

Operating income was up 6%, which included a 4% currency headwind. Comparable currency neutral operating income rose 13%, driven by organic revenue growth across all segments.

The company updated guidance for the full year of adjusted organic revenue growth of +10% to +11%, up slightly. In addition, full-year earnings-per-share is expected to be higher by 7% to 8%. We've updated our estimate of earnings-per-share to \$2.70 after terrific Q3 results.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.90	\$1.60	\$1.67	\$1.49	\$1.91	\$2.08	\$2.11	\$1.95	\$2.32	\$2.48	\$2.70	\$3.61
DPS	\$1.12	\$1.22	\$1.32	\$1.40	\$1.48	\$1.56	\$1.60	\$1.64	\$1.68	\$1.76	\$1.84	\$2.35
Shares¹	4,402	4,366	4,324	4,288	4,259	4,250	4,314	4,323	4,325	4,328	4,330	4,340

Coca-Cola has experienced some years of stagnation in earnings-per-share, which declined from \$1.97 in 2012 and only reclaimed that high in 2018. However, now that the bulk of revenue declines have been absorbed from the bottling refranchising initiative, Coca-Cola's earnings growth should pick up in the coming years, as we are forecasting for 2023.

Moving forward, we are forecasting 6% annual earnings-per-share growth. Volume had been improving and pricing was strong prior to the COVID-19 pandemic, which could mean low single-digit revenue growth as conditions normalize. In addition, job cuts and other productivity measures produced very strong margin growth in 2017 and 2018, and we see this as a long-term tailwind. All this combined could produce 6% annual earnings-per-share growth moving forward. Of course, 2020 earnings were down due to lower away-from-home sales, but earnings rebounded sharply higher in 2021 and 2022, with more growth forecast for 2023. We note that 2023 results are looking better than this, but we are also cautious on future growth given the record base of earnings for 2023.

We also forecast the dividend rising somewhat slower than earnings, producing a payout of \$2.35 per share by 2028.

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



The Coca-Cola Company (KO)

Updated October 30th, 2023, by Josh Arnold

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	18.2	21.0	23.1	25.7	23.0	21.8	24.1	25.6	23.3	25.6	20.4	23.0
Avg. Yld.	2.7%	2.9%	3.2%	3.1%	3.2%	3.4%	3.1%	3.3%	3.1%	2.8%	3.3%	2.8%

Coca-Cola's price-to-earnings ratio has been rather volatile in the past decade and today it stands at 20.4. This compares slightly unfavorably to what we see as fair value at 23 times earnings, implying a fractional headwind to total returns moving forward if the valuation normalizes over a 5-year holding period. Meanwhile, Coca-Cola's dividend yield is currently 3.3% and the payout rises each year, offering a meaningful boost to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	59%	76%	79%	94%	77%	75%	76%	84%	72%	71%	68%	65%

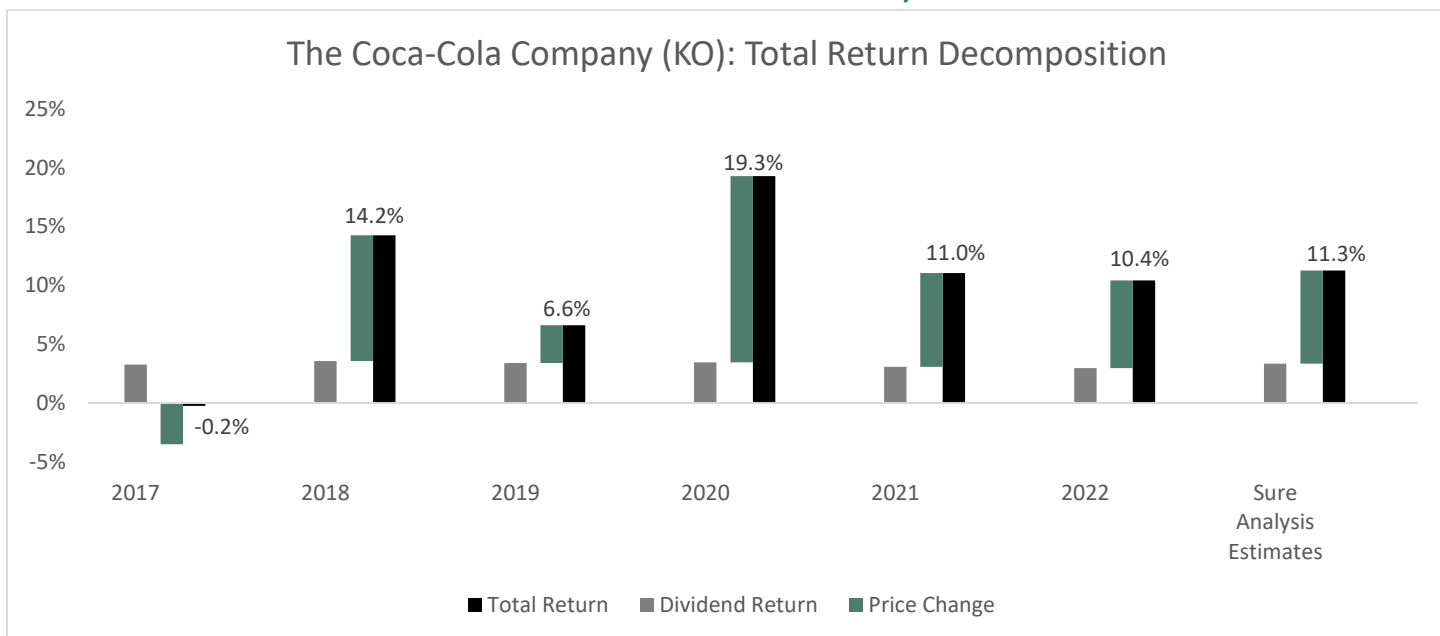
The payout ratio has been in the mid-70% range for the past few years but is below that now with rising earnings. Dividend growth will remain a priority for management, and we see the payout as safe, with room to grow, particularly with generally improving free cash flow generation.

Coca-Cola's competitive advantages include its unparalleled suite of beverage brands, as well as its efficient global distribution network. Coca-Cola is also extremely resistant to recessionary environments, having increased its earnings-per-share during and after the financial crisis. The difference with the 2020 recession is that public venues have been closed, which disproportionately impacted Coca-Cola's results, even into 2021. This, however, appears to have ended.

Final Thoughts & Recommendation

Our estimates of 6% earnings growth and a 2.5% valuation headwind, combined with the company's 3.3% dividend yield give expected total returns of 11.3% per year over the next five years. Coca-Cola could work for investors that are seeking a recession-resistant, higher-yielding consumer staple, and shares are now trading under fair value. We're boosting Coca-Cola to buy from hold after Q3 results.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



The Coca-Cola Company (KO)

Updated October 30th, 2023, by Josh Arnold

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	46854	45998	44294	41863	35410	31856	37,266	33,014	38,655	43,004
Gross Profit	28433	28109	26812	25398	22154	20086	22,647	19,581	23,298	25,004
Gross Margin	60.7%	61.1%	60.5%	60.7%	62.6%	63.1%	60.8%	59.3%	60.3%	58.1%
SG&A Exp.	17310	17218	16427	15262	12496	10307	12,103	9,731	12,144	12,880
D&A Exp.	1977	1976	1970	1787	1260	1086	1,365	1,536	1452	1,260
Operating Profit	10228	9708	10240	9750	9427	8700	10,086	9,850	11,039	10,909
Op. Margin	21.8%	21.1%	23.1%	23.3%	26.6%	27.3%	27.1%	29.8%	28.6%	25.4%
Net Profit	8584	7098	7351	6527	1248	6434	8,920	7,747	9,771	9,542
Net Margin	18.3%	15.4%	16.6%	15.6%	3.5%	20.2%	23.9%	23.5%	25.3%	22.2%
Free Cash Flow	7992	8209	7975	6534	5431	6280	8,417	8,667	11,258	9,534
Income Tax	2851	2201	2239	1586	5560	1623	1,801	1,981	2621	2,115

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	90055	92023	89996	87270	87896	83216	86,381	87,296	94,354	92,763
Cash & Equivalents	10414	8958	7309	8555	6006	8926	6,480	6,795	9,684	9,519
Acc. Receivable	4873	4466	3941	3856	3667	3396	3,971	3,144	3,512	3,487
Inventories	3277	3100	2902	2675	2655	2766	3,379	3,266	3,414	4,233
Goodwill & Int.	27611	26372	24132	21128	16636	17270	26,766	28,550	34,613	33,631
Total Liabilities	56615	61462	64232	64050	68919	64158	65,283	66,012	69,494	66,937
Accounts Payable	1933	2089	2795	2682	2288	8932	11,312	11,145	4,602	15,749
Long-Term Debt	37079	41745	44116	45709	47685	43555	42,763	42,793	42,761	39,149
Total Equity	33173	30320	25554	23062	17072	16981	18,981	19,299	22,999	24,105
LTD/E Ratio	1.12	1.38	1.73	1.98	2.79	2.56	2.25	2.22	1.86	1.62

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	9.7%	7.8%	8.1%	7.4%	1.4%	7.5%	10.5%	8.9%	10.8%	10.2%
Return on Equity	26.0%	22.4%	26.3%	26.9%	6.2%	37.8%	49.6%	40.5%	46.2%	40.5%
ROIC	12.6%	9.9%	10.3%	9.4%	1.8%	10.0%	14.1%	12.1%	14.8%	14.4%
Shares Out.	4,402	4,366	4,324	4,288	4,259	4,250	4,314	4,323	4,340	4,350
Revenue/Share	10.39	10.34	10.06	9.59	8.19	7.41	8.64	7.64	8.91	9.89
FCF/Share	1.77	1.84	1.81	1.50	1.26	1.46	1.95	2.00	2.59	2.19

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.