The Coca-Cola Company (KO)

Updated February 18th, 2025, by Josh Arnold

Key Metrics

Current Price:	$69	**5 Year CAGR Estimate:**	9.1%	**Market Cap:**	$296 B
Fair Value Price:	$68	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	02/28/25[1]
% Fair Value:	102%	**5 Year Valuation Multiple Estimate:**	-0.3%	**Dividend Payment Date:**	03/16/25
Dividend Yield:	2.8%	**5 Year Price Target**	$95	**Years Of Dividend Growth:**	62
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Rating:**	Hold

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 $296 billion and its brands account for about 2 billion servings of beverages worldwide every day, producing about $48 billion in annual revenue. The company also has an exceptional 62-year dividend increase streak, making it a Dividend King.

Coca-Cola posted fourth quarter and full-year earnings on February 11th, 2025, and results were much better than expected on both the top and bottom lines. Adjusted earnings-per-share came to 55 cents, which was three cents ahead of estimates. Revenue was up 6.5% year-over-year to $11.5 billion, which was a staggering $800 million ahead of estimates. Organic revenue soared 14% year-over-year for the fourth quarter. Currency-neutral operating income was up 22% year-over-year.

For the year, global unit case volume was up 1%, and was up 2% for the quarter. For the year, cash flow from operations was $6.8 billion, while free cash flow was $4.7 billion. Excluding IRS tax litigation, free cash flow for the year would have been $10.8 billion, up 1% from 2023.

Pricing power was the main source of growth once again, with modest case volume growth, and concentrate sales up an additional 3%.

Management expects adjusted organic revenue growth of 5% to 6% for this year, and earnings-per-share of $2.94 to $2.97. We've set our estimate accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.67	$1.49	$1.91	$2.08	$2.11	$1.95	$2.32	$2.48	$2.69	$2.88	***$2.95***	***$4.14***
DPS	$1.32	$1.40	$1.48	$1.56	$1.60	$1.64	$1.68	$1.76	$1.84	$1.94	***$1.94***	***$2.48***
Shares[2]	4,324	4,288	4,259	4,250	4,314	4,323	4,325	4,328	4,313	4,302	***4,285***	***4,225***

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 has been quite strong.

Moving forward, we are forecasting 7% 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 7% 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 strong growth in 2023 and 2024.

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[1] Estimated date

[2] 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.

We also forecast the dividend rising somewhat slower than earnings, producing a payout of $2.48 per share by 2030, which should be enough to keep the stock yielding about twice that of the S&P 500.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	23.1	25.7	23.0	21.8	24.1	25.6	23.3	25.6	21.9	21.6	***23.4***	***23.0***
Avg. Yld.	3.2%	3.1%	3.2%	3.4%	3.1%	3.3%	3.1%	2.8%	3.1%	3.1%	***2.8%***	***2.6%***

Coca-Cola's price-to-earnings ratio has been rather volatile in the past decade and today it stands at 23.4. This compares unfavorably to what we see as fair value at 23 times earnings, implying a small headwind to total returns moving forward if the valuation normalizes over a 5-year holding period. Meanwhile, Coca-Cola's dividend yield is currently 2.8% and the payout rises each year, offering a meaningful boost to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	79%	94%	77%	75%	76%	84%	72%	71%	68%	67%	***66%***	***60%***

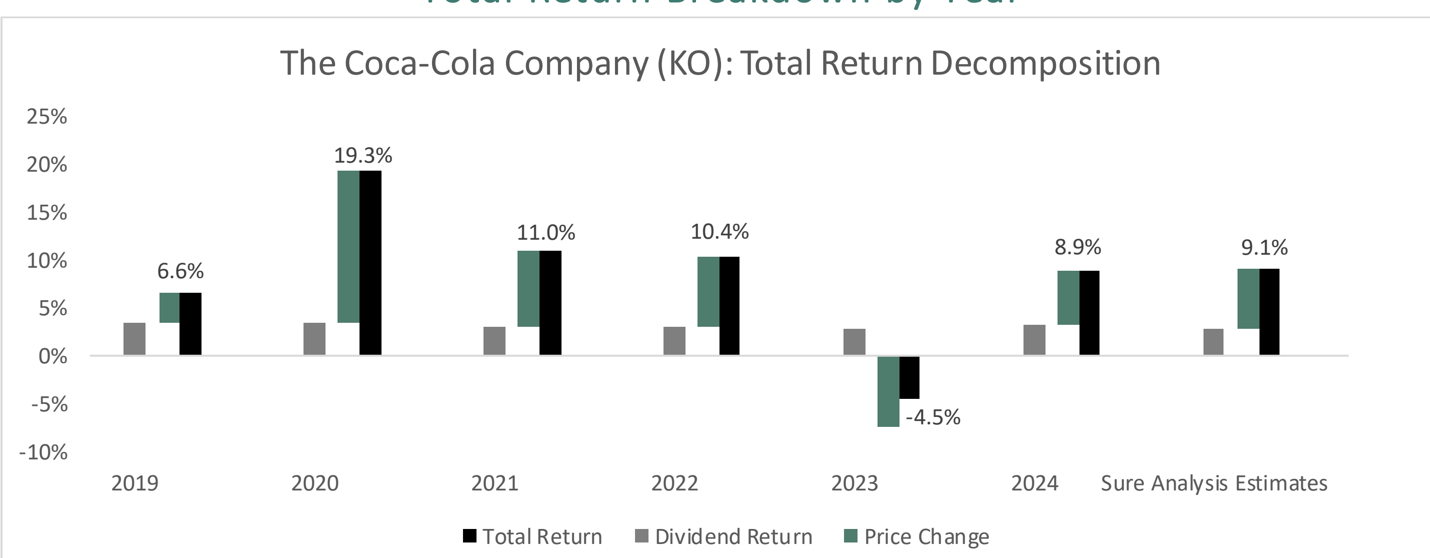
The payout ratio has been in the mid-70% range for the past few years but is below that now with rising earnings. Dividend growth will remain a priority for management, and we see the payout as safe, with room to grow, particularly with generally improving free cash flow generation, as we saw again in 2023.

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.

Final Thoughts & Recommendation

Our estimates of 7% earnings growth and a 0.3% valuation headwind, combined with the company's 2.8% dividend yield, give expected total returns of 9.1% 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 trading near fair value. We're reiterating the stock at a hold rating, noting the stock is still offering robust total returns after 2024 results, but not quite enough for a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	44294	41863	35410	31856	37,266	33,014	38,655	43,004	45,754	47,061
Gross Profit	26812	25398	22154	20086	22,647	19,581	23,298	25,004	27,234	28,737
Gross Margin	60.5%	60.7%	62.6%	63.1%	60.8%	59.3%	60.3%	58.1%	59.5%	61.1%
SG&A Exp.	16427	15262	12496	10307	12,103	9,731	12,144	12,880	7,930	14,582
D&A Exp.	1970	1787	1260	1086	1,365	1,536	1452	1,260	1,128	1,075
Operating Profit	10240	9750	9427	8700	10,086	9,850	11,039	10,909	13,016	9,992
Op. Margin	23.1%	23.3%	26.6%	27.3%	27.1%	29.8%	28.6%	25.4%	28.4%	21.2%
Net Profit	7351	6527	1248	6434	8,920	7,747	9,771	9,542	10,714	10,631
Net Margin	16.6%	15.6%	3.5%	20.2%	23.9%	23.5%	25.3%	22.2%	23.4%	22.6%
Free Cash Flow	7975	6534	5431	6280	8,417	8,667	11,258	9,534	9,747	4,741
Income Tax	2239	1586	5560	1623	1,801	1,981	2621	2,115	2,249	2,437

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	89996	87270	87896	83216	86,381	87,296	94,354	92,763	97,703	100,549
Cash & Equivalents	7309	8555	6006	8926	6,480	6,795	9,684	9,519	9,366	10,828
Acc. Receivable	3941	3856	3667	3396	3,971	3,144	3,512	3,487	3,410	3,569
Inventories	2902	2675	2655	2766	3,379	3,266	3,414	4,233	4,424	4,728
Goodwill & Int.	24132	21128	16636	17270	26,766	28,550	34,613	33,631	33,223	31,440
Total Liabilities	64232	64050	68919	64158	65,283	66,012	69,494	66,937	70,223	74,177
Accounts Payable	2795	2682	2288	8932	11,312	11,145	4,602	15,749	5,590	21,715
Long-Term Debt	44116	45709	47685	43555	42,763	42,793	42,761	39,149	42,064	44,522
Total Equity	25554	23062	17072	16981	18,981	19,299	22,999	24,105	25,941	24,856
LTD/E Ratio	1.73	1.98	2.79	2.56	2.25	2.22	1.86	1.62	1.62	1.79

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.1%	7.4%	1.4%	7.5%	10.5%	8.9%	10.8%	10.2%	11.3%	10.7%
Return on Equity	26.3%	26.9%	6.2%	37.8%	49.6%	40.5%	46.2%	40.5%	40.2%	39.5%
ROIC	10.3%	9.4%	1.8%	10.0%	14.1%	12.1%	14.8%	14.4%	15.9%	15.1%
Shares Out.	4,324	4,288	4,259	4,250	4,314	4,323	4,340	4,350	4,339	4,320
Revenue/Share	10.06	9.59	8.19	7.41	8.64	7.64	8.91	9.89	10.54	10.89
FCF/Share	1.81	1.50	1.26	1.46	1.95	2.00	2.59	2.19	2.25	1.10

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