Keurig Dr. Pepper Inc. (KDP)

Updated August 19th, 2025 by Prakash Kolli

Key Metrics

Current Price:	$35	**5 Year CAGR Estimate:**	12.6%	**Market Cap:**	$47.07B
Fair Value Price:	$41	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date[1]:**	09/27/25
% Fair Value:	85%	**5 Year Valuation Multiple Estimate:**	3.4%	**Dividend Payment Date:**	10/11/25
Dividend Yield:	2.7%	**5 Year Price Target**	$58	**Years Of Dividend Growth:**	4
Dividend Risk Score:	D	**Sector:**	Consumer Staples	**Rating:**	Hold

Overview & Current Events

Keurig Dr. Pepper (KDP) is the result of a ~$20B merger between Dr. Pepper Snapple (DPS) and Keurig Green Mountain completed in mid-2018. The new company started trading on July 10, 2018. KDP is now the third largest non-alcoholic beverage company in terms of revenue in the U.S. behind Coca-Cola (KO) and Pepsi (PEP). KDP now reports three business segments: U.S. Refreshment Beverages, U.S. Coffee, and International. Major brands include Core, Dr. Pepper, Sunkist, Canada Dry, Bai, 7UP, Snapple, and Keurig. JAB Holdings controls ~4.4% of the common stock while Mondelez fully exited its ownership in Summer 2024. Net sales were about $15.35B in fiscal 2024.

Keurig Dr. Pepper reported Q2 2025 results on July 25th, 2025. Companywide adjusted net sales climbed 7.2% to $4,163M from $3,922M in the prior year on growth in one of the three segments. Adjusted diluted earnings per share increased 11.1% to $0.49 in the quarter, compared to $0.45 in the year-ago period. Sales rose 10.5% in the U.S. Refreshment Beverage segment on 1.0% higher prices and 9.5% greater volume/mix drive by the GHOST acquisition. The U.S. Coffee segment saw (-0.2%) lower sales on 3.6% higher prices and -3.8% volume/mix decline. Rising competition and input costs are affecting results of this segment. International net sales decreased -1.8% on 5.3% greater prices and 0.4% volume/mix increase, offset by foreign exchange headwinds.

Keurig Dr. Pepper continues to acquire or partner with brands to expand its reach. The most recent deal was a partnership with Grupo PiSA for Electrolit. The firm acquired GHOST, an energy drink with about 3% market share and $500M in sales. Keurig will acquire 60% now and the remaining 40% in 2028.

Keurig Dr. Pepper set 2025 guidance at mid-single digit sales growth and high-single-digit adjusted diluted EPS growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	--	--	--	$1.04[2]	$1.22	$1.40	$1.60	$1.68	$1.79	$1.92	***$2.05***	***$2.88***
DPS	--	--	--	$0.30	$0.60	$0.60	$0.71	$0.76	$0.82	$0.88	***$0.92***	***$1.12***
Shares[3]	--	--	--	1,406	1,407	1,407	1,418	1,418	1,388	1,368	***1,365***	***1,348***

Due to the 2018 merger, limited historical earnings and dividend data are available for Keurig Dr. Pepper. But the company is expecting top and bottom-line growth in 2025, continuing its momentum from 2020. However, the firm's sales and earnings growth rate are slowing as merger synergies fade. But the company's strong brands and market leadership should let it grow annually from price increases and low volume growth. We believe earnings per share will rise at ~7% on average out to 2030 on growing sales and market share, higher margins, and lower share count.

Keurig Dr. Pepper paid a $0.60 per share dividend in 2019 and 2020 but is now increasing the dividend. This bodes well for those seeking dividend growth combined with the modest payout ratio. We forecast a 4% growth rate. Because of lower leverage, the firm has started to buy back shares. We expect share count to decrease around 0.25% annually.

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[1] Estimated dates. Keurig Dr. Peppers has not yet announced the next dividend distribution.
[2] Adjusted pro forma assuming the merger occurred on December 31, 2016.
[3] Share count in millions.
Disclosure: This analyst is long KDP.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	--	--	--	46.2	31.9	30.3	23.1	28.8	18.6	16.7	***16.9***	***20.0***
Avg. Yld.	--	--	--	1.2%	2.4%	2.1%	2.1%	2.1%	2.4%	2.7%	***2.7%***	***1.9%***

Keurig Dr. Pepper's share price is up slightly since our last report on organic growth. We again updated our 2025 earnings estimates to consensus. Our fair value multiple is 20X, lower than its two larger competitors, but uncertainty exists due to the short operating history. Our fair value price estimate is now $41. Our 5-year price target is now $58.

Safety, Quality, Competitive Advantage, & Recession Resiliency

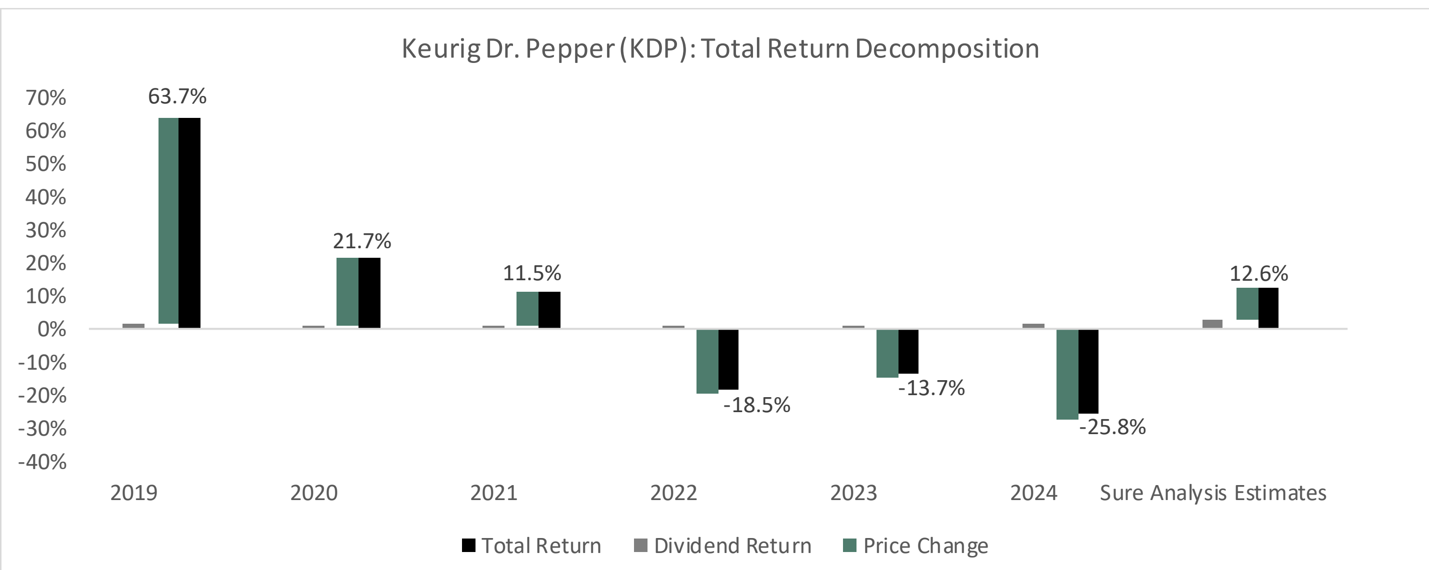
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	--	--	--	29%	49%	43%	45%	45%	46%	46%	***45%***	***39%***

Keurig Dr. Pepper now controls one of the three major non-alcoholic beverage distribution networks in the U.S., giving it a major competitive advantage. From a brand perspective, Dr. Pepper and Canada Dry are market leaders; Snapple is the market leader in ready-to-drink teas; Bai is a leader in enhanced flavor water; and Green Mountain Coffee is the market leader in K-Cup pods. The company's brewing systems have a 75% market share with an installed base of 38 million households. Keurig Dr. Pepper has recession resistant characteristics due to strength of its brands and product portfolio. But the coffee category is becoming increasingly competitive with new entrants including Coca-Cola.

Keurig Dr. Pepper is deleveraging. Short-term and current long-term debt are $1,976M and long-term debt is $13,920M at end of Q1 2025. Cash on hand is only $509M. The current leverage ratio is approximately 4.14X.

Final Thoughts & Recommendation

At present, we are forecasting 12.6% total annualized return over the next five years from a dividend yield of 2.7%, 7.0% EPS growth, and 3.4% P/E multiple expansion. Keurig Dr. Pepper is seemingly delivering on its target of lower leverage, but with revenue and earnings growth. However, the coffee segment is experiencing weakness and input costs are elevated and beverage competition is strong. That said, the company's brands give it a solid moat. The firm is increasing the dividend, and the reasonable payout ratio suggests that more increases may occur in the future. At the current stock price, our rating for Keurig Dr. Pepper is a hold.



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6282	6440	6690	7442	11120	11618	12683	14057	14814	15351
Gross Profit	3723	3858	3995	3882	6342	6486	6977	7323	8080	8529
Gross Margin	59.3%	59.9%	59.7%	52.2%	57.0%	55.8%	55.0%	52.1%	54.5%	55.6%
SG&A Exp.	2313	2329	2556	2635	3962	3978	4153	4645	4912	5013
D&A Exp.	227	224	229	462	698	495	708	709	720	733
Operating Profit	1298	1433	1388	1237	2378	2547	2894	2783	3194	3309
Operating Margin	20.7%	22.3%	20.7%	16.6%	21.4%	21.9%	22.8%	19.8%	21.6%	21.6%
Net Profit	764	847	1076	586	1254	1325	2146	1436	2181	1441
Net Margin	12.2%	13.2%	16.1%	7.9%	11.3%	11.4%	16.9%	10.2%	14.7%	9.4%
Free Cash Flow	834	779	830	1433	2109	1939	2419	2458	848	1597
Income Tax	420	434	95	202	440	428	653	284	576	473

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8869	9791	10022	48918	49518	49779	50598	51837	52130	53430
Cash & Equivalents	911	1787	61	83	75	240	567	535	267	510
Accounts Receivable	570	595	668	1150	1115	1048	1148	1484	1368	1502
Inventories	209	202	229	626	654	762	894	1314	1142	1299
Goodwill & Int. Ass.	5651	5649	7342	43978	44289	44152	44038	43255	43489	43687
Total Liabilities	6686	7657	7571	26385	26261	25949	25626	26712	26454	29187
Accounts Payable	277	303	365	2300	3176	3740	4316	5206	3597	2985
Long-Term Debt	3246	4325	4296	15659	14420	13488	11882	11967	13191	15554
Shareholder's Equity	2183	2134	2451	22533	23257	23829	24972	25126	25676	24243
LTD/E Ratio	1.49	2.03	1.75	0.69	0.62	0.57	0.48	0.48	0.51	0.64

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.9%	9.1%	10.9%	2.0%	2.5%	2.7%	4.3%	2.8%	4.2%	2.7%
Return on Equity	34.1%	39.2%	46.9%	4.7%	5.5%	5.6%	8.8%	5.7%	8.6%	5.8%
ROIC	15.0%	14.2%	16.3%	2.6%	3.3%	3.5%	5.8%	3.9%	5.7%	3.7%
Shares Out.	--	--	--	1,400	1,406	1,406	1,428	1,429	1,408	1,368
Revenue/Share	32.65	34.51	36.60	6.78	7.84	8.17	8.88	9.84	10.52	11.22
FCF/Share	4.33	4.17	4.54	1.31	1.49	1.36	1.69	1.72	0.60	1.17

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