

Recommendation	BUY
Target (today's value)	\$48.00
Current Price	\$43.82
52-week range	\$41.74 - \$48.62

Share Data	
Ticker:	KO
Market Cap. (Billion):	\$186.9
Inside Ownership	0.7%
Inst. Ownership	67.6%
Beta	0.75
Dividend Yield	3.6%
Payout Ratio	140.4%
Cons. Long-Term Growth Rate	7.5%

	'15	'16	'17E	'18E	'19E
Sales (billions)					
Year	\$44.3	\$41.9	\$36.0	\$32.2	\$33.3
Gr %	-3.7%	-5.5%	-14.0%	-10.7%	3.5%
Cons	-	-	\$35.2	\$30.8	\$32.0
EPS					
Year	\$1.69	\$1.51	\$1.87	\$1.58	\$1.67
Gr %	4.3%	-10.5%	23.8%	-15.5%	5.7%
Cons	-	-	\$1.91	\$1.98	\$2.13

Ratio	'13	'14	'15	'16	'17E
ROE (%)	26.3%	26.9%	26.9%	40.6%	43.0%
Industry	23.5%	29.3%	29.3%	34.4%	33.8%
NPM (%)	16.8%	15.8%	15.8%	27.4%	28.3%
Industry	11.5%	14.1%	14.1%	17.4%	17.9%
A. T/O	0.48	0.47	0.47	0.37	0.38
ROA (%)	8.1%	7.4%	7.4%	10.1%	10.7%
Industry	9.9%	11.6%	11.6%	10.1%	10.4%
A/E	2.87	3.26	3.65	3.34	3.29

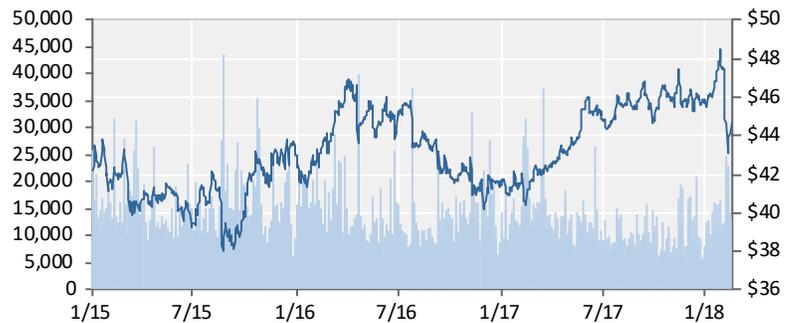
Valuation	'15	'16	'17E	'18E
P/E	20.7	21.5	21.7	21.2
Industry	31.6	31.6	33.2	24.8
P/S	4.0	4.2	4.3	4.55
P/B	6.1	7.3	7.9	8.66
P/CF	18.0	18.0	20.6	26.4
EV/EBIT	19.8	21.8	21.7	19.8

Performance	Stock	Industry
1 Month	-1.3%	3.2%
3 Month	0.0%	2.5%
YTD	11.4%	25.0%
52-week	11.2%	25.5%
3-year	13.9%	66.3%

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Nonalcoholic beverages

The Coca-Cola Company



Source: FactSet Prices

Summary: I recommend a neutral rating with a target of \$48. Despite declining sales in previous years, the completion of divestures should lead to higher margins and asset turns. The firm is looking to satisfy consumer preferences by expanding its product portfolio into noncarbonated beverages in an attempt to increase sales and brand recognition.

Key Drivers:

- **Bottler refranchising:** Coca-Cola plans to complete the refranchising of two-thirds of its North American and China bottlers. The largest North American bottler acquisition in 2010 drove operating costs up and essentially hurt profit margins. This divesture should now increase margins and decrease leverage.
- **Consumer trends:** Consumers have recently shown a preference for noncarbonated beverages, such as: RTD tea, juice drinks, and bottled water. Consumers have also shown a desire for a variety of package sizes, as some prefer smaller novelty sizes. KO is starting to provide a variety of sizes and new products.
- **Cost of raw materials:** Recent hurricanes have disrupted Coca-Cola's supply chain and have driven up the costs of fruit juices, especially orange juice.
- **Competition:** PepsiCo. is Coca-Cola's largest competitor in terms of nonalcoholic beverage sales and the two companies hold over 75% of the market share. Coca-Cola plans to diversify its product portfolio and packaging to stand apart from its competition.

Valuation: According to relative valuation, Coca-Cola appears to be fairly valued among its peers. A combination of the approaches suggests that Coca-Cola is fairly valued, as my analysis produces a stock value of \$47.53 and the shares are currently trading at \$47.61.

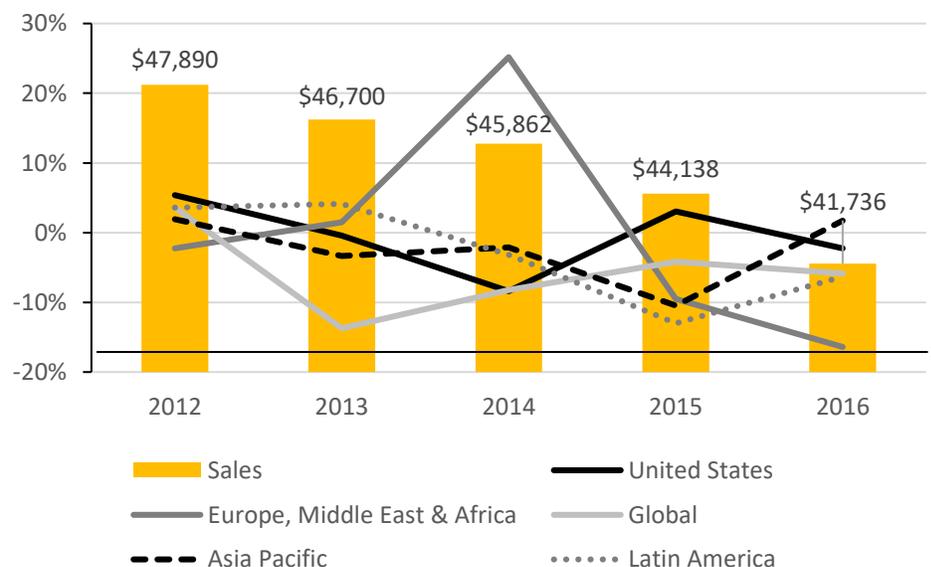
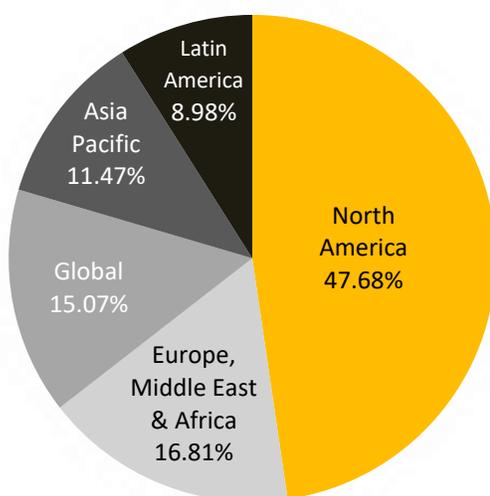
Risks: Threats to the business include health-related concerns, sustainability and water scarcity, shifting consumer preferences, and competition.

Company Overview

The Coca-Cola Company (KO) is a beverage company that manufactures, markets, and sells non-alcoholic beverages. The firm’s nonalcoholic beverages include both sparkling and still products, such as: soda, bottled water, fruit/vegetable juice, and sports and energy drinks. These beverages are referred to as “finished product business.” KO also produces beverage concentrates and syrups and refers to them as the “concentrate business.” The firm makes these products available to consumers by means of company-owned or controlled bottling and distribution operators, independent bottling partners, distributors, wholesalers, and retailers. Coca-Cola is mostly known for its fizzy soft drinks like Fanta, Diet Coke, and Sprite. However, KO has several products that are healthy and noncarbonated, including: Minute Maid, FUZE TEA, Powerade, and Glacéau Vitaminwater. The Coca-Cola Co. generates 48% of its total net operating revenue within the United States and 52% outside of the United States. Its “operating groups” are as follows:

- Europe, Middle East and Africa: Coca-Cola Europe, Middle East and Africa is the second largest segment and continuously experiences unfavorable currency fluctuations. Growth continues to decline at a -0.8% CAGR.
- Latin America: Coca-Cola Latin America is the smallest segment and has been deteriorating at a -3.9% CAGR due to foreign currency fluctuations, the Venezuela Fair Price Law, and high inflation.
- North America: Coca-Cola North America is the firm’s largest revenue earning segment at 48% of sales. Growth has been slowing at a -1.7% CAGR.
- Asia Pacific: Coca-Cola Asia Pacific experienced the most growth last year. Growth is attributed to an increase in concentrate sales and still beverage sales. However, from 2012-2016 revenues declined -13.9% and growth has been falling at a -2.9% CAGR.
- Bottling Investments: This operating group consists primarily of KO’s company-owned or -controlled bottling, sales, and distribution operations. This segment has proven unprofitable and Coca-Cola has begun refranchising bottling operations.

Figures 1 and 2: 2016 revenue by geographical segment (Left) and growth rate history by geographical segment since 2012



Source: Company reports

Business/Industry Drivers

Though several factors may contribute to the performance of Coca-Cola, the following are the most important business drivers:

- 1) Bottler refranchising
- 2) Consumer trends
- 3) Cost of raw materials
- 4) Competition
- 5) Macroeconomic factors

Bottler Refranchising

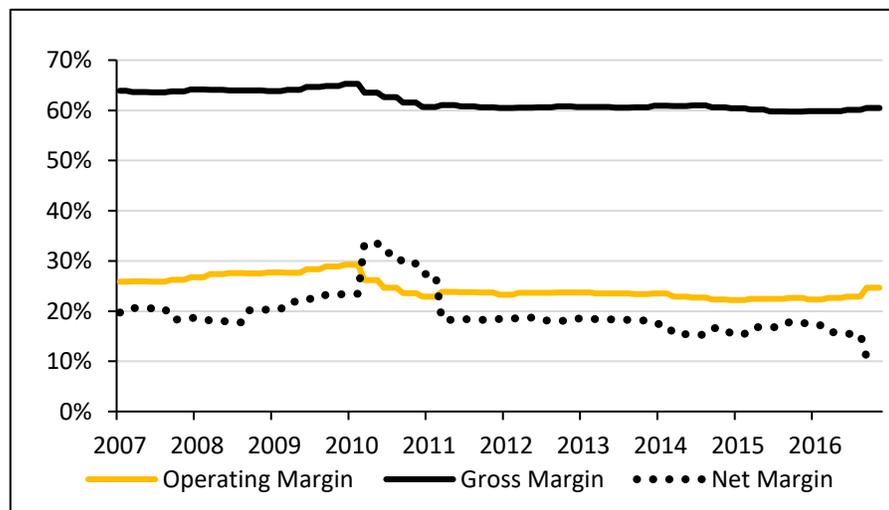
The Coca-Cola Company has recently undergone a great deal of change. Its CEO of eight years, Muhtar Kent, announced that he would be stepping down May 1, 2017. Taking his place is current President and COO of the Company, James Quincey. New leadership can bring a new business strategy. KO appears to be undoing the 2010 acquisition of its largest franchisee bottler. This acquisition gave Coca-Cola more control over its North American supply chain. Now the Company is looking to add to its beverage portfolio and focus on strengthening the brand.

The bottler acquisition cost \$12.3 billion and negatively impacted margins and sales have seen a steady decline since. The bottling operations are also capital-intensive. In order to refocus, the Company has set out to refranchise two-thirds of its bottling operations in North America and China. This could potentially threaten the relationship between KO and bottlers. The process of refranchising will not quickly undo the outcome of the 2010 acquisition, but it will be a step in the right direction. This change in direction will allow Coca-Cola to focus attention on the concentrate sales, which have steadily been rising in comparison to nonalcoholic beverages.

KO is refranchising two-thirds of its bottling operations in North America and China

Upon the completion of refranchising at the end of 2017, I expect to see an upturn in profit margins and a reduction in capital. However, costs associated with the refranchising have the potential to further reduce net income. You can see how both gross and operating margin fell after the 2010 acquisition as sales and COGS increased by 33% and 42% respectively. In 2010, KO recognized \$4 billion in extraordinary gains from the acquisition of Coca-Cola Enterprises North America, thus increasing the net margin. Net profit decreased by 27% from 2010-2011. Since KO decided to refranchise in 2016, extraordinary losses increased 44% from 2015-2016, thus explaining the dip in net margin at the end of 2016.

Figures 3: Margin history %



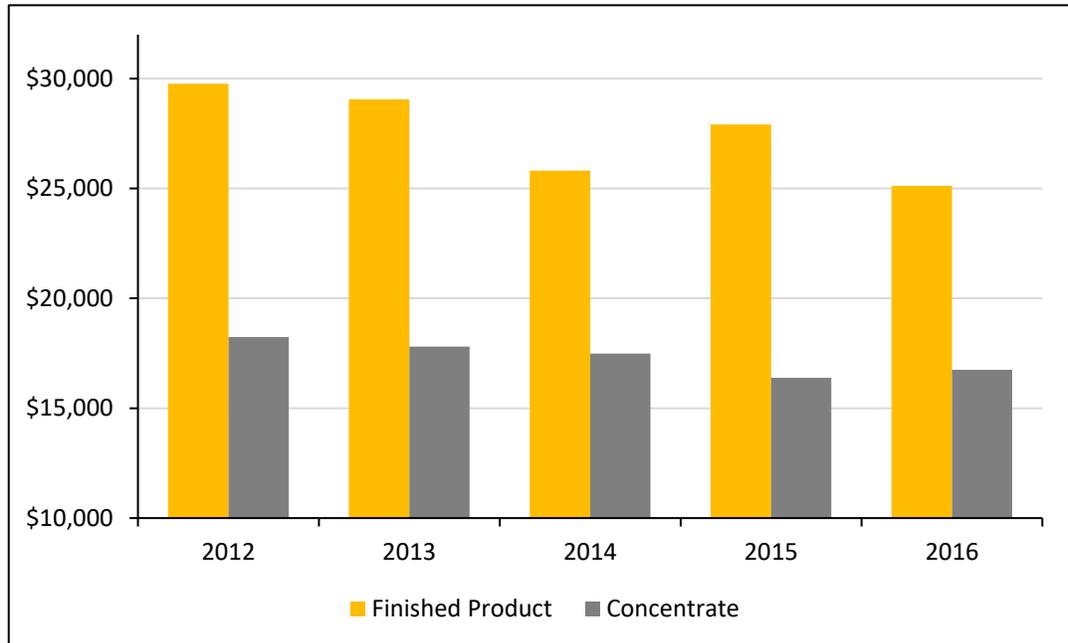
Source: Company reports

Consumer Trends

Consumers are concerned with healthy-living and sustainability

Recent consumer trends have been toward healthy-living and sustainability and KO has been quick to recognize this change in demand. Coca-Cola is working to add more low-sugar options to its beverage portfolio. A lot of these options are referred to as “still beverages,” which are noncarbonated drinks, such as: bottled water, flavored water, juices, teas, and sports drinks. As a result of the new trends, the nonalcoholic carbonated beverage industry has experienced a steady decline in sales. I believe that with the addition of more healthy beverage alternatives, Coca-Cola could develop a competitive advantage.

Figures 4: KO sales by business segment since 2012 (Millions)



Source: FactSet

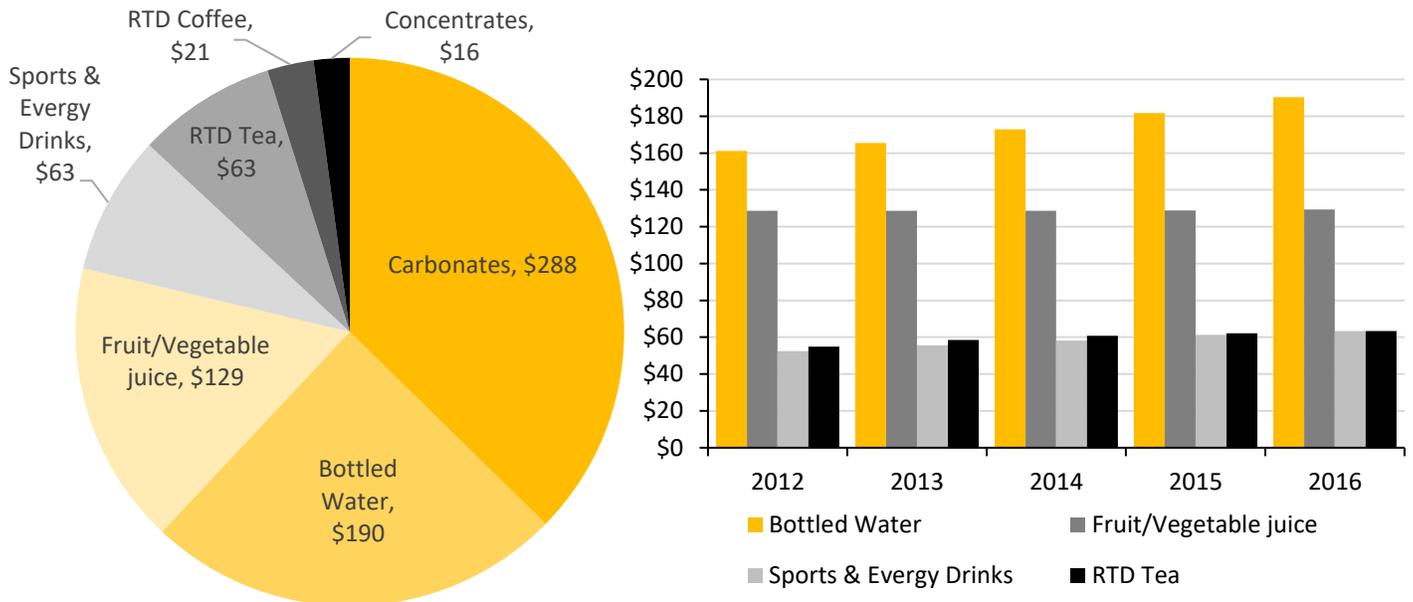
In terms of sustainability, Coca-Cola has received a great deal of backlash in the past over its consumption of water. Water is the main ingredient in the majority of KO’s products and even in its manufacturing process. Water quantity and quality is of great importance to Coca-Cola not only because products rely on it, but operations do as well. Long-term, as clean water becomes scarce, Coca-Cola stands to incur higher costs to obtain it. Government regulations also constrict the Company’s use of raw materials. However, Coca-Cola remains very mindful about being a green company.

Still beverages prove popular with a 5-yr CAGR of 2.4%

Nonalcoholic carbonated beverage sales have remained stagnant with a 0.1% 5-yr CAGR, whereas still beverage sales have been slowly increasing with a 2.4% 5yr CAGR. Coca-Cola plans to utilize this trend strategically and introduces new still beverage products. As a result of this, I expect to see an upturn in sales.

In addition to the growing popularity of still beverages, a smaller package size has proven to be increasingly desired. The consumer desire for a smaller volume, such as the 8oz can, is most likely connected to the health-conscious trend. This is because a smaller volume has less sugar. Other consumers, unconcerned with the current health trend, may be more inclined to purchase smaller packages of Coca-Cola products because they perceive the product to be a novelty. Coca-Cola stands to make a profit from this trend because it allows the firm to charge more for the smaller specialty size, which happens to require less packaging materials.

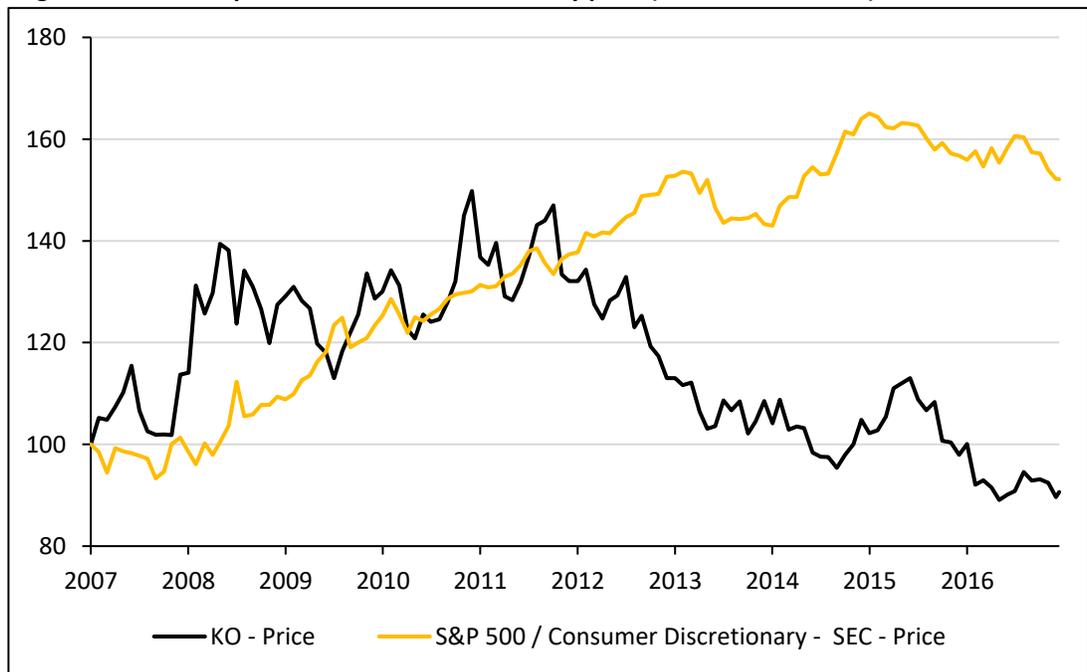
Figures 5 and 6: 2016 global soft drink comparison, in billions (Left) and global revenue history since 2012 (Right)



Source: Bloomberg, IMCP, dollars in billions

While KO is struggling to grow because of a mature nonalcoholic carbonated beverage industry and consumer preference changes, it is still a staple. It does well when the economy deteriorates. Whether the economy is doing good or bad, consumers continue to buy Coca-Cola products. During the financial crisis of 2008, KO outperformed the S&P500.

Figure 7: Coca-Cola price vs consumer discretionary price (relative to S&P 500)



Source: FactSet

Cost of Raw Materials

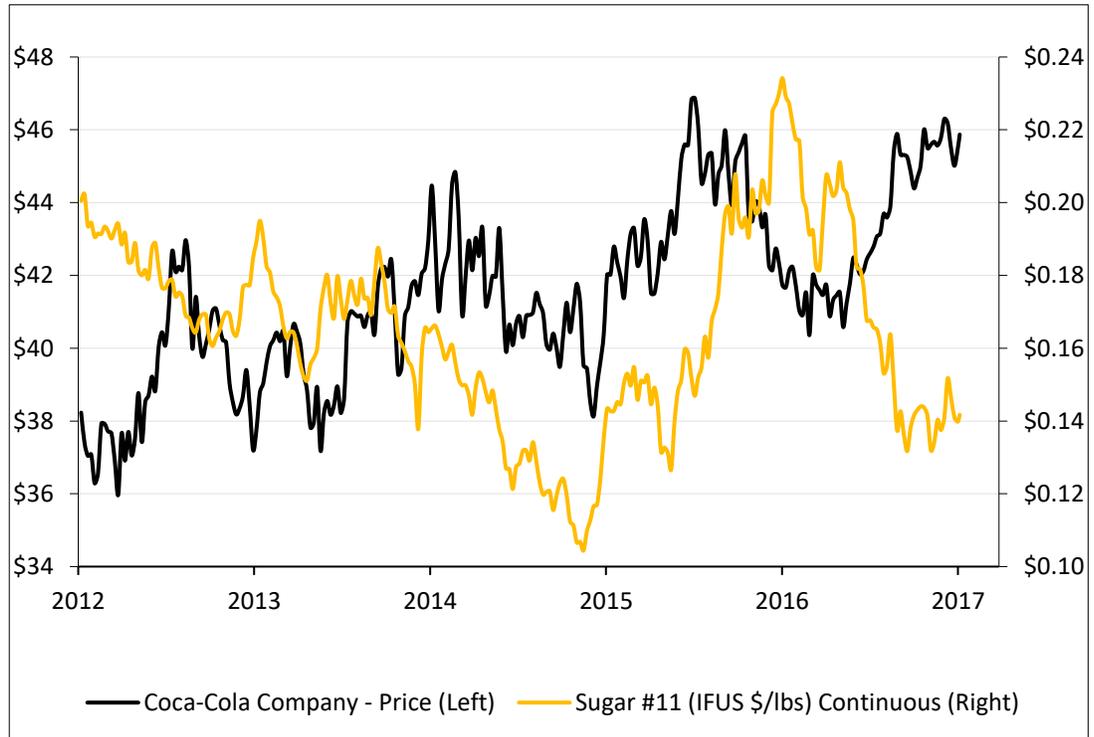
Coca-Cola uses a variety of raw materials. While water is the main ingredient in beverages, nutritive sweeteners are also of great importance. In Figure 8, one can see that Coca-Cola’s price varies inversely with the cost of sugar.

Over the past five years, sugar has proven to be a rather volatile raw material. Sugar reached a high of \$0.23/lb., whereas today sugar is selling at \$0.14/lb., or a 39% decrease in price. The consumer health trend may help keep the cost of this volatile raw material low.

Reduced agricultural productivity may increase KO’s cost of raw materials

Lower agricultural productivity may increase the cost of several raw materials. Hurricane Irma left Florida devastated and most of its citrus farms have been flooded. Florida is a huge producer of citrus to places all over the U.S. and inventory has been slashed. Orange juice is an important ingredient in KO’s production of Minute Maid and Simply. Alico, Inc., one Coca-Cola’s main suppliers of citrus and cane sugar, was impacted by Hurricane Irma. Alico, Inc. derives 34.2% of its revenue from Coca-Cola and 32.5% from Pepsi.

Figure 8: Coca-Cola price compared to cost of sugar since 2012



Source: FactSet

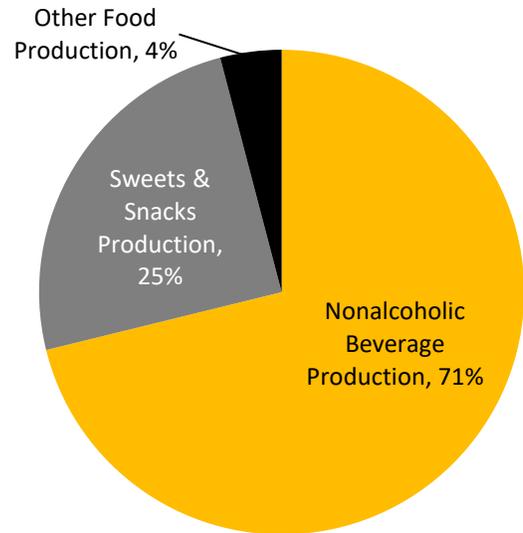
Coca-Cola’s raw materials don’t only consist of the substances that go inside the bottle. Materials for packaging are also important; however, due to the refranchising of North American bottlers, Coca-Cola will be less impacted by the costs of these components. Packaging materials are included in KO inventory totals. After the 2010 bottler acquisition, inventories grew 17% and they have recently been declining due to the bottler refranchising (8% decline from 2015-2016).

Competition

KO possibly limited its growth by not diversifying past nonalcoholic beverage production.

Coca-Cola has 46%, Pepsi 37%, and other companies 13% market weight of the nonalcoholic beverage industry. Coca-Cola and Pepsi are fierce competitors. KO is 100% focus on beverages, whereas 25% of Pepsi's sales are from food. Numerous companies only focus on nonalcoholic beverage production, but KO is by far the largest. This could sound like a competitive advantage, but because of Coca-Cola's size, the advantage isn't propelling the firm. Other large competitors like Unilever, Pepsi, and Nestle benefit from diversity in food. Lack of exposure to food limits growth and concentrates its business on a maturing carbonated beverage industry. Consumers frequently pair their beverages with snacks and since KO is not producing snacks, its beverages are being paired with competitor snacks. PepsiCo Frito-Lay North America business segment has a 5-yr CAGR at 3.1% which has offset the negative growth in beverage sales.

Figure 9: PepsiCo (PEP) revenue exposure by sector

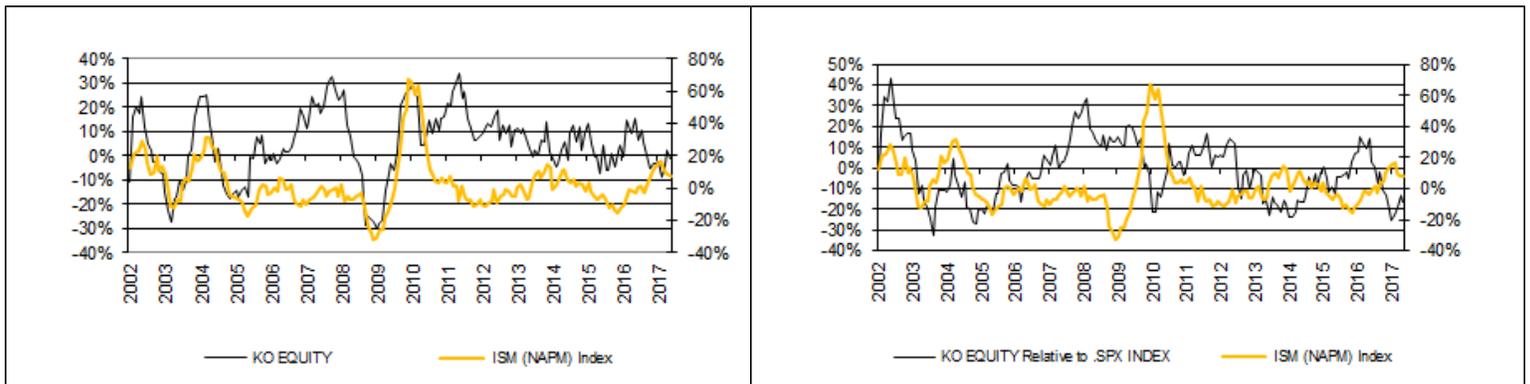


Source: FactSet

Macroeconomic Factors

Consumer staples are non-cyclical and have an 8.2% share of the S&P 500. Coca-Cola has about a 9.9% weight of the consumer staples sector. Data shows that when the economy is performing poorly, Coca-Cola tends to perform better. However, KO lags when the economy is expanding.

Figure 10 and 11: ISM index vs. KO since 2002 (Left) ISM index vs. KO relative to SPX index (Right)



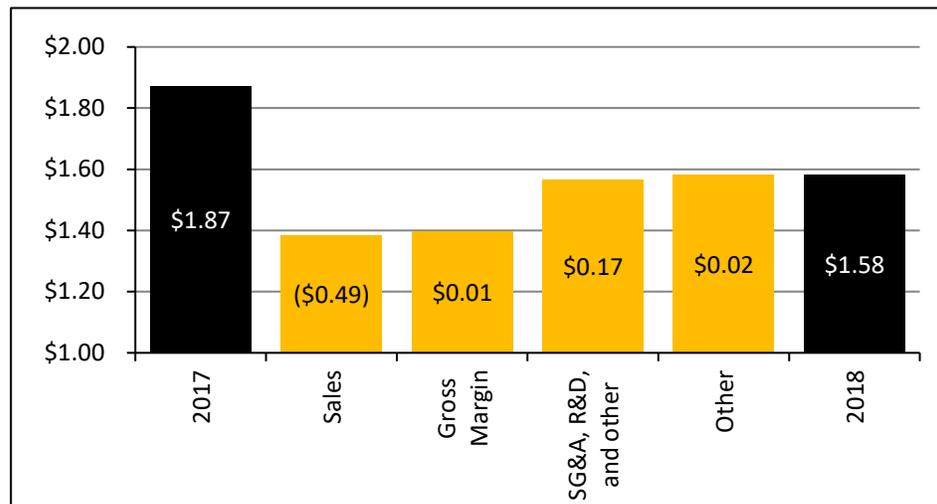
Source: Bloomberg, IMCP

Financial Analysis

Quantification of Drivers

Figure 12 and 13 quantify what I believe are the major 2018 and 2019 financial drivers of The Coca-Cola Company. I expect EPS to decrease from \$1.87 to \$1.58 or 16% in 2018. Due to the concentrated market and relatively slim product line, believe sales will decline and account for \$0.49 reduction in EPS. I have forecasted gross margin to remain relatively stable and it only impacts EPS by \$0.01. Due to the decline in sales and ongoing divestitures, I expect KO to spend less on SG&A and R&D as a percent of sales. I believe this will add \$0.17 to EPS.

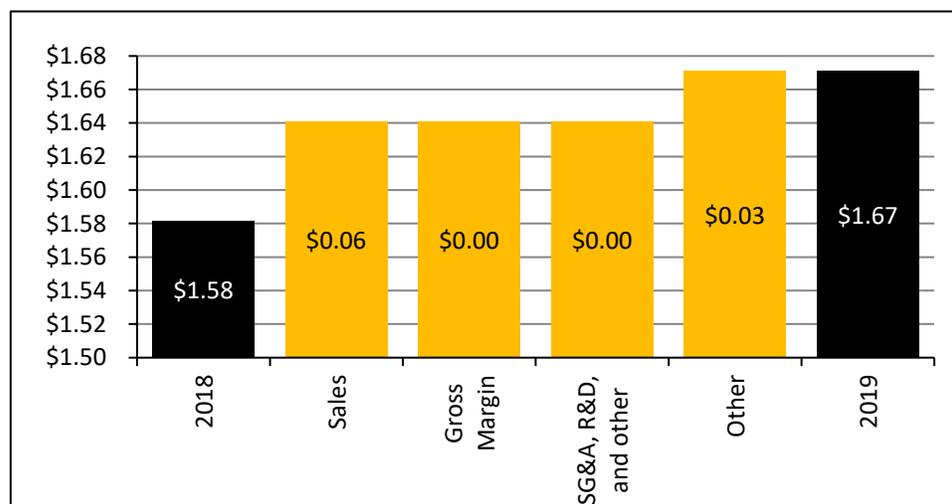
Figure 12: 2018 Quantification of drivers



Source: Company reports

In 2019, I expect Coca-Cola to be diversifying its product portfolio and creating value for the consumers. I predict this to be the beginning of the company's growth, post bottle refranchising. I believe that margins will remain relatively the same over 2019. However, if sales do not increase despite the wider product line, margins will tighten.

Figure 13: 2019 Quantification of drivers

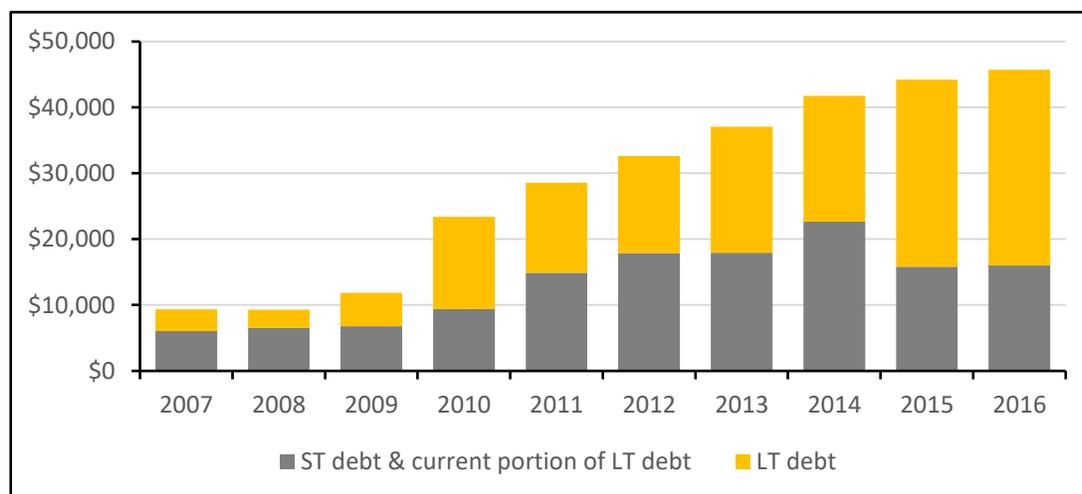


Source: Company reports

Free Cash Flow

Since the 2010 bottler acquisition, KO has accumulated substantial debt and it has the free cash flow to do this. As the firm undoes its acquisition, I expect the firm to begin paying down debt. In FY2010, short-term debt increased 38% and long-term debt increased substantially by 178%. Figure 15 shows that operating capital is expected to decline \$13 billion in 2017 as KO divests its bottling business (top panel). This is expected to temporarily grow cash (operating capital ex cash is in top panel and with cash is in bottom).

Figure 14: Long-term & short-term debt from 2007-2016 (Millions)



Source: FactSet

After 2017, this cash will be used to pay down debt (bottom panel), and the firms still has about \$8 billion each year in FCFE for share buybacks (estimated at \$1.5 billion and dividends at \$6.5 billion).

Figure 15: Free cash flow

Free Cash Flow	Dec-14	Dec-15	Dec-16	Dec-17E	Dec-18E	Dec-19E
<i>Without cash and debt</i>						
NOPAT	\$7,417	\$6,693	\$6,944	\$7,243	\$7,246	\$7,500
-Change in net operating capital ex cas	545	(1,511)	(3,988)	(12,993)	1,963	2,060
FCFF	6,872	8,204	10,932	20,237	5,283	5,440
- After-tax interest expense	293	(673)	394	461	430	337
FCFE	\$6,579	\$8,877	\$10,538	\$19,775	\$4,853	\$5,103
<i>With cash and debt</i>						
NOPAT	\$7,417	\$6,693	\$6,944	\$7,243	\$7,246	\$7,500
- Change in net operating capital	(393)	(2,556)	(2,960)	(821)	(3,991)	(4,359)
FCFF	7,810	9,249	9,904	8,064	11,237	11,859
- After-tax interest expense	293	(673)	394	461	430	337
+ Change in short-term and long-term c	2,138	3,247	742	(2,500)	(3,000)	(3,500)
FCFE	\$9,655	\$13,169	\$10,252	\$5,103	\$7,807	\$8,022

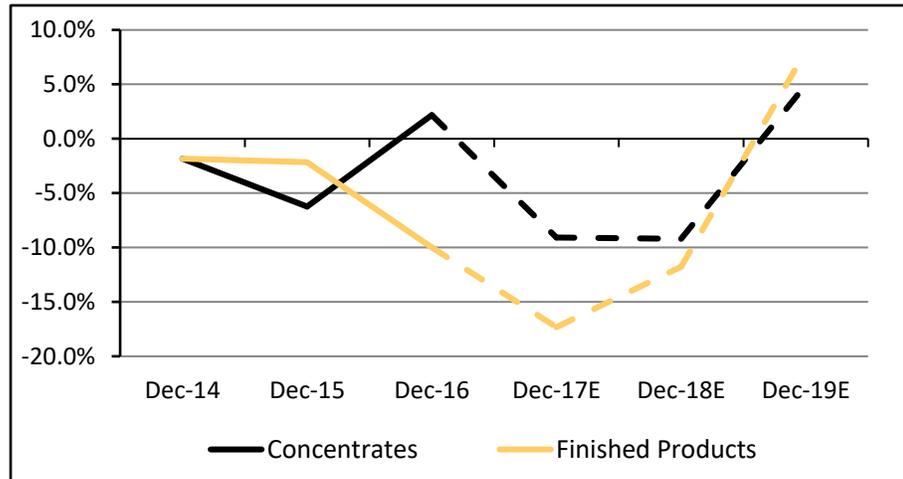
Source: Company reports

Sales Forecast

Sales for finished products have been declining steadily over the last three years and I attribute a portion of the bottling business. However, after the completion of the divesture, I expect sales to tick upward in FY2019. Overall, I have estimated FY2018 sales to decrease by 11% and FY2019 to increase by 3.5%. I attribute this increase to Coca-Cola’s strategy to diversify its product portfolio line and packaging.

In FY2018, I expect finished product sales to decline 12% and only account for \$18 billion, whereas concentrates should decline at a slower pace of 9% and account for \$14 billion. This estimate puts finished products at 57% of sales and concentrates at 43%.

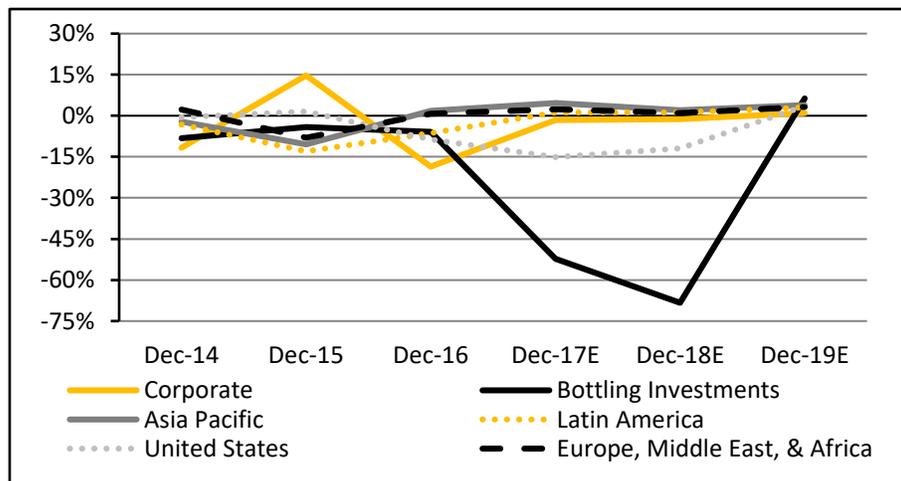
Figure 16: Business segment sales forecasting



Source: Factset, IMCP

In terms of operating segments, I expect bottling investments to drastically decline about 52% in FY2017 and 70% in FY2018. I also expect a decline in United States sales, due to the majority of bottlers being in North America. I project a modest increase in the remaining operating segments due to growth in preference for noncarbonated beverages in these areas.

Figure 17: Geographic segment sales forecasting



Source: Factset, IMCP

Estimate vs. Consensus Analysis

My sales estimates are more bullish than consensus because I believe that Coca-Cola's North American sales will not be as negatively affected as others predict. I also have higher assumptions for EBIT margins because of my projected increase in sales.

Figure 18: EPS estimates vs consensus

	Dec-18E	Dec-19E
Consensus	\$1.98	\$2.13
Estimates	\$1.58	\$1.67

Source: Factset, IMCP

Figure 19: Sales estimates vs consensus

	Dec-18E	Dec-19E
Consensus	\$30.8B	\$32.5B
Estimates	\$32.1B	\$33.3B

Source: Factset, IMCP

5-Step DuPont Analysis

Recently, Coca-Cola's ROE has been well above the industry average (5yr industry ROE is 21.5%). Figure 18 shows how Coca-Cola's EBIT margin post the divestiture will grow ROE. Other factors affecting this margin includes price increases, productivity improvements, and more favorable commodity costs. One can see that KO's increase in leverage also boosted ROE in the past, but A/E is forecasted to come down in the next few years.

Figure 20: 5-stage DuPont Analysis

ROE	Dec-14	Dec-15	Dec-16	Dec-17E	Dec-18E	Dec-19E
5-stage						
EBIT / sales	21.1%	19.7%	20.6%	25.0%	28.0%	28.0%
Sales / avg assets	0.51	0.49	0.47	0.42	0.39	0.43
EBT / EBIT	96.1%	110.0%	94.3%	93.6%	94.1%	95.5%
Net income / EBT	76.1%	76.5%	80.2%	95.9%	80.2%	80.3%
ROA	7.8%	8.1%	7.4%	9.3%	8.2%	9.2%
Avg assets / avg equity	2.84	3.23	3.62	3.59	3.39	3.32
ROE	22.2%	26.1%	26.6%	33.6%	27.8%	30.4%

Source: Company reports

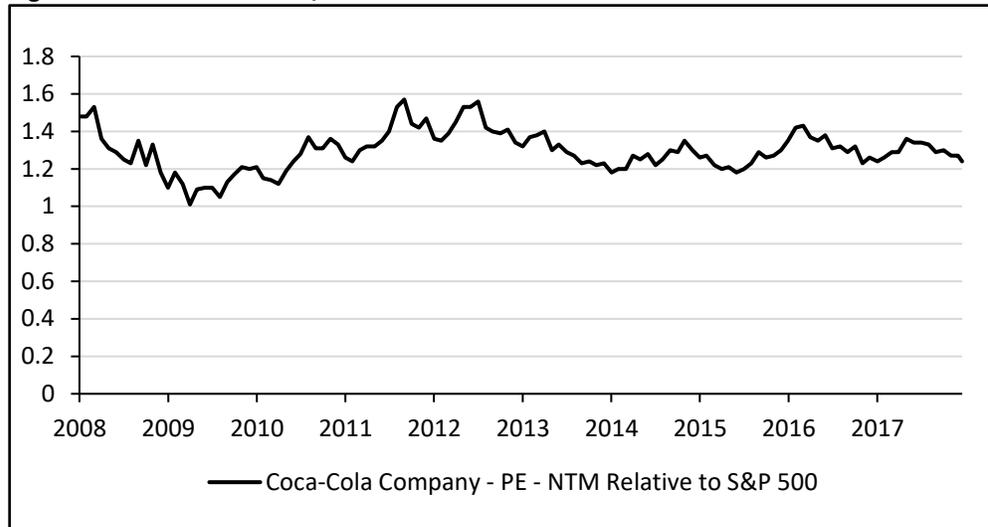
Valuation

I have valued Coca-Cola using multiples and a 3-stage discounted cash flow analysis. Based on earnings multiples, KO has been historically slightly more expensive than the industry (Figure 21). However, recent events such as the bottler divestments, have warranted a much higher P/E multiple. I place more weight on the discounted cash flow method, as this offers a better analysis of the firm's future growth opportunities.

Trading History

Coca-Cola's current P/E (relative to the S&P 500) is again approaching what it was around the time the firm acquired its largest North American bottler. KO's current NTM P/E is 23.4 compared to its five-year average of 20.5. I believe that the NTM P/E is rather low for the growth I expect to see post bottler divestitures.

Figure 21: Coca-Cola NTM P/E Relative to S&P 500



Source: FactSet

Assuming the firm maintains a 23.4 NTM P/E at the end of 2018, it should trade at \$39.1 by the end of the year.

- $P = P/E \times EPS = 22.4 * \$1.67 = \$37.41$

Discounting \$37.41 back to today at an 8.2% cost of equity (explained in Discounted Cash Flow section) yields a price of \$34.57.

Relative Valuation

Coca-Cola is trading at a TTM P/E of 42.5, which is much higher than the majority of my selected comparables except for Monster. This is most likely due to the high growth expected after selling off its largest bottlers. Despite the current elevated P/E, the NTM P/E is about average in comparison to its peers. However, Coca-Cola’s current P/B ratio is quite close to the comparables’ average, as the firm has a ROE at the median.

Figure 22: Coca-Cola comparable sheet

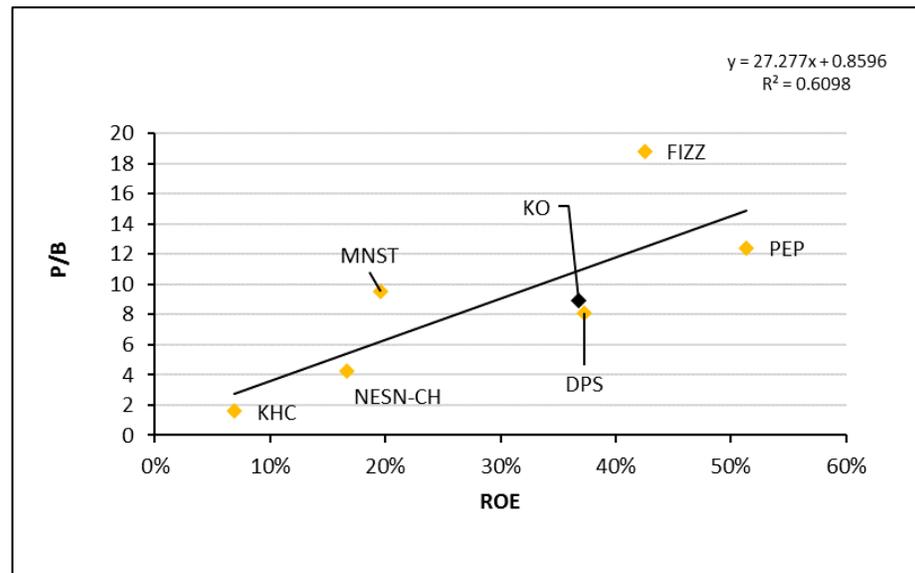
Ticker	Name	Current Price	Market Value	Price Change					Earnings Growth							Beta	LT Debt/Equity	S&P Rating	LTM Dividend			
				1 day	1 Mo	3 Mo	6 Mo	52 Wk	YTD	LTG	NTM	2016	2017	2018	2019				Pst 5yr	Yield	Payout	
KO	COCA-COLA CO	\$44.19	\$188,279	0.5	(4.2)	(5.4)	(3.1)	8.8	(3.7)	5.6	89.6%	-2.0%	-4.5%	-0.5%	4.2%	-4.1%	0.57	146.8%	A-	3.11%	140.4%	
PEP	PEPSICO INC	\$112.14	\$159,479	0.2	(4.5)	(1.7)	(3.8)	5.3	(6.5)	7.1	68.6%	-1.3%	6.1%	6.4%	7.8%	0.61	306.0%	A	2.63%	93.7%		
DPS	DR PEPPER SNAPPLE GROUP INC	\$115.95	\$20,841	(0.7)	21.7	33.2	28.3	24.0	19.5	10.9	25.8%	10.1%	9.2%	4.8%	8.3%	10.5%	0.86	206.6%	A	1.94%	56.9%	
MNST	MONSTER BEVERAGE CORP	\$63.39	\$35,750	(1.1)	(0.6)	1.9	17.8	46.0	0.2	19.4	27.8%	8.7%	31.0%	12.2%	16.3%	21.4%	1.01	0.0%	B+	0.00%	0.0%	
FIZZ	NATIONAL BEVERAGE CORP	\$96.73	\$4,508	1.5	(4.5)	0.4	(10.4)	69.2	(0.7)	20.0	31.3%	24.8%	74.8%	18.3%	18.8%	22.0%	0.44	0.0%	B+	0.00%	0.0%	
NESN-CH	NESTLE SA	\$81.60	\$252,788	(1.0)	(7.6)	(9.7)	(5.8)	3.4	(9.1)	8.5	-4.3%	1.2%	7.8%	8.9%	-1.5%	0.76				2.86%		
KHC	KRAFT HEINZ CO	\$71.71	\$87,376	(0.1)	(7.3)	(10.2)	(17.1)	(20.8)	(7.8)	8.6	20.5%	-30.5%	52.1%	9.0%	8.0%	0.06	48.2%		3.13%	75.6%		
Average			\$107,003	(0.1)	(1.0)	1.2	0.9	19.4	(1.2)	11.4	44.0%	0.8%	24.3%	8.3%	10.3%	9.7%	0.61	117.9%		1.95%	61.1%	
Median			\$87,376	(0.1)	(4.5)	(1.7)	(3.8)	8.8	(3.7)	8.6	29.6%	-1.3%	9.2%	7.8%	8.3%	10.5%	0.61	97.5%		2.63%	66.3%	
SPX	S&P 500 INDEX	\$2,663		0.3	(4.4)	3.0	9.1	14.4	(0.4)		0.0%	0.5%	9.9%	11.0%								
Ticker	Website	2017		P/E						2017			EV/EBIT		P/CF		Sales Growth			Book		
		ROE	P/B	2015	2016	2017	TTM	NTM	2018	2019	NPM	P/S	OM	ROIC	EBIT	Current	5-yr	NTM	STM	Pst 5yr	Equity	
KO	http://www.coca-colacompany.com	36.8%	8.51	20.7	21.5	21.7	42.5	22.4	23.3	22.3	19.4%	4.50	24.8%	12.2%	21.9	21.5	16.9	-15.5%	-0.1%	-2.5%	\$5.19	
PEP	http://www.pepsico.com	51.3%	11.86	20.4	21.9	21.6	33.2	19.7	21.7	20.2	11.0%	2.54		11.3%	18.2	16.2		3.1%	3.3%		\$9.45	
DPS	http://www.drpeppersnapplegroup.com	37.2%	9.84	19.6	23.2	20.7	29.1	23.1	25.2	23.3	12.3%	3.24	20.1%	14.5%	14.5	19.4	14.0	3.9%	2.5%	1.8%	\$11.79	
MNST	http://www.monsterbevcorp.com	19.6%	9.49	39.3	49.7	33.8	46.3	36.2	43.1	37.1	24.2%	11.73	38.4%	17.5%	22.3	41.6	50.8	11.4%	9.1%	12.3%	\$6.68	
FIZZ	http://www.nationalbeverage.com	42.5%	17.97	21.5	34.7	22.3	36.1	27.5	35.7	30.0	12.9%	5.45	20.9%	47.4%	24.3	31.6	26.5	15.8%		5.6%	\$5.38	
NESN-CH	http://www.nestle.com	15.9%	3.87	21.3	22.6	21.5			22.7	20.8	11.8%	2.87		11.4%	17.0	17.8	15.4			1.4%	\$21.06	
KHC	http://www.kraftheinzcompany.com	6.9%	1.49	19.9	33.2	26.2	22.4	18.6	19.8	18.3	15.3%	3.30	26.6%	4.1%	19.1	17.6	15.9	2.0%	1.6%	7.3%	\$48.24	
Average		30.0%	9.01	23.2	29.5	24.0	34.9	24.6	27.3	24.6	15.3%	4.80	26.2%	16.9%	19.6	23.7	23.2	3.5%	3.3%	4.3%		
Median		36.8%	9.49	20.7	23.2	21.7	34.6	22.8	23.3	22.3	12.9%	3.30	24.8%	12.2%	19.1	19.4	16.4	3.5%	2.5%	3.7%		
spx	S&P 500 INDEX			17.3	17.2	18.7			20.3	18.3												

Figure 23 shows the correlation between P/B and ROE ($R^2=0.6098$). Therefore 61% of Coca-Cola's P/B is owed to its NTM ROE. Based on this graph Coca-Cola is close to fairly valued among its peer group.

- Estimated P/B = Estimated 2018 ROE (40%) \times 27.277 + 0.8596 = 11.77
- Target Price = Estimated P/B (11.77) \times 2018E BVPS (5.57) = \$65.56

Discounting back to the present at an 8.2% cost of equity produces a target of \$60.65.

Figure 23: P/B vs 2017 ROE



Source: FactSet

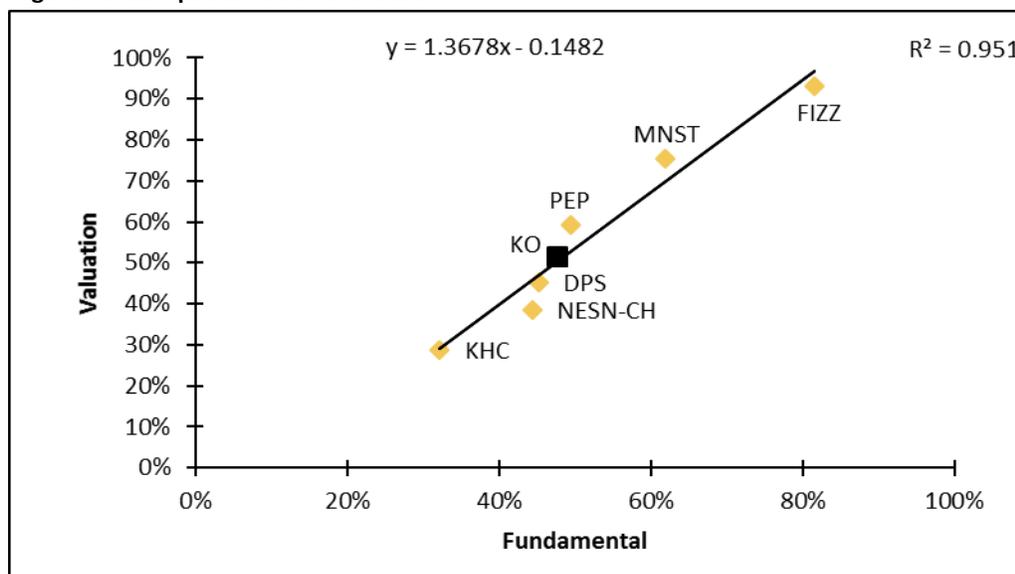
Finally, I created a composite ranking of two valuation and five fundamental metrics (Figure 24). Considering that each variable has a different scale, they were first converted to a percentile of the whole. For my fundamentals, I chose to include LTG, NTM, 2017, and 2018 earnings growth as well as 2017 ROE. As for my valuation, I split it equally between P/E and P/B.

Based on this weighting, the regression produced an R-squared of 0.951. KO lives on the line, so it is fairly valued.

Figure 24: Composite valuation, % of range

Ticker	Name	Fundamentals					Valuation	
		20.0%	20.0%	15.0%	20.0%	25.0%	50.0%	50.0%
		Earnings Growth				2017	P/E	
		LTG	NTM	2017	2018	ROE	2017	P/B
KO	COCA-COLA CO	28%	100%	-3%	22%	72%	56%	47%
PEP	PEPSICO INC	39%	15%	35%	41%	100%	52%	66%
DPS	DR PEPPER SNAPPLE GROUP INC	47%	26%	26%	44%	73%	48%	43%
MNST	MONSTER BEVERAGE CORP	100%	25%	67%	87%	38%	100%	51%
FIZZ	NATIONAL BEVERAGE CORP	100%	29%	100%	100%	83%	86%	100%
NESN-CH	NESTLE SA	45%	58%	42%	47%	33%	54%	23%
KHC	KRAFT HEINZ CO	43%	22%	49%	42%	13%	49%	9%

Figure 25: Composite relative valuation



Source: FactSet

Discounted Cash Flow Analysis

A three stage discounted cash flow model was also used to value KO (Figure 28).

For the purpose of this analysis, the company’s cost of equity was calculated to be 8.2% using the Capital Asset Pricing Model. The underlying assumptions used in calculating this rate are as follows:

- The risk-free rate, as represented by the ten-year Treasury bond yield, is 2.75%.
- A ten-year beta of 0.75 was utilized since the company has lower risk than the market.
- A long-term market rate of return of 10% was assumed, since historically, the market has generated an annual return of about 10%.

Given the above assumptions, the cost of equity is 8.2% (2.75 + 0.75 (10.0 – 2.75)).

Stage One - The model’s first stage simply discounts fiscal years 2018 and 2019 free cash flow to equity (FCFE). These per share cash flows are forecasted to be \$1.82 and \$1.88, respectively. Discounting these cash flows, using the cost of equity calculated above, results in a value of \$3.28 per share. Thus, stage one of this discounted cash flow analysis contributes \$3.28 to value.

Stage Two - Stage two of the model focuses on fiscal years 2020 to 2024. During this period, FCFE is calculated based on revenue growth, NOPAT margin and capital growth assumptions. The resulting cash flows are then discounted using the company’s 8.2% cost of equity. I assume a constant 5% sales growth from 2020-2024. The ratio of NWC to sales will slowly increase over time and NFA turnover will decrease by 0.03 in 2017 and continue to decrease by 0.01 in 2018, but turn around in 2019 to rise by 0.02 once divestments have been finalized. Also, the NOPAT margin is expected to rise to 26% in 2024 from 22.5% in 2018. This is also due to leaving the low margin bottle manufacturing business.

Figure 26: FCFE and discounted FCFE, 2018 - 2024

	2018	2019	2020	2021	2022	2023	2024
FCFE	\$1.82	\$1.88	\$2.07	\$1.82	\$1.78	\$2.15	\$2.34
Discounted FCFE	\$1.68	\$1.60	\$1.63	\$1.33	\$1.20	\$1.34	\$1.35

Added together, these discounted cash flows total \$6.85.

Stage Three – Net income for the years 2020 – 2024 is calculated based upon the same margin and growth assumptions used to determine FCFE in stage two. EPS is expected to grow from \$1.58 in 2018 to \$2.48 in 2024.

Figure 27: EPS estimates for 2018 - 2024

	2018	2019	2020	2021	2022	2023	2024
EPS	\$1.58	\$1.67	\$1.78	\$1.89	\$2.07	\$2.27	\$2.48

Stage three of the model requires an assumption regarding the company's terminal price-to-earnings ratio. For the purpose of this analysis, I assumed a terminal year P/E ratio of 24.

Given the assumed terminal earnings per share of \$2.48 and a price to earnings ratio of 24, a terminal value of \$59.60 per share is calculated. Using the 8.2% cost of equity, this number is discounted back to a present value of \$34.36.

Total Present Value – given the above assumptions and utilizing a three stage discounted cash flow model, an intrinsic value of \$44.45 is calculated ($3.28 + 6.81 + 34.36$). Given KO's current price of \$43.82, this model indicates that the stock is slightly undervalued.

Scenario Analysis – Bull Case

Figure 29 demonstrates a best-case scenario or bull case.

In this scenario, I assumed a constant sales growth of 6% over the next 5 years and a terminal year P/E of 27. I already expect sales to increase in every scenario; however, I believe the bull-case sales growth to not be as high due to the already concentrated market. The majority of growth that KO will experience will be through increases in sales and it is difficult to predict consumer preferences over time. That's why it is very important for the firm to keep up with trends. Subsequently, I expect NOPAT margin to increase to 24.6% in 2024 from 22.5% in 2018.

Total Present Value (Bull Case) – given the above assumptions and utilizing a three stage discounted cash flow model, an intrinsic value of \$48.81 is calculated ($3.29 + 7.17 + 38.35$). Given KO's current price of \$43.82, this scenario analysis indicates that the stock is undervalued.

Scenario Analysis – Bear Case

Figure 30 demonstrates a worst-case scenario or bear case.

For this case, I assumed a sales growth of only 4% over the next 5 years and a terminal year P/E of 22. After the finalization of bottler refranchising, I expect to see positive sales growth to some degree since they are returning to a higher margin business.

Total Present Value (Bear Case) – given the above assumptions and utilizing a three stage discounted cash flow model, an intrinsic value of \$40.16 is calculated ($3.28 + 6.85 + 30.02$). Given KO's current price of \$43.82, this scenario analysis indicates that the stock is overvalued.

Figure 28: 3-Stage DCF Model (Base case)

	Year						
	1	2	3	4	5	6	7
	First Stage			Second Stage			
Cash flows	2018	2019	2020	2021	2022	2023	2024
Sales Growth	-10.7%	3.5%	5.0%	5.0%	5.0%	5.0%	5.0%
NOPAT / S	22.5%	22.5%	22.8%	23.0%	24.0%	25.0%	26.0%
S / NOWC	1.94	2.76	3.19	3.25	3.30	3.36	3.42
S / NFA (EOY)	0.62	0.64	0.65	0.66	0.66	0.67	0.68
S / IC (EOY)	0.47	0.52	0.54	0.55	0.55	0.56	0.57
ROIC (EOY)	10.6%	11.7%	12.3%	12.6%	13.2%	14.0%	14.7%
ROIC (BOY)	11.0%	12.4%	12.4%	13.0%	13.8%	14.4%	15.3%
Share Growth		-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	\$32,147	\$33,275	\$34,939	\$36,686	\$38,520	\$40,446	\$42,469
NOPAT	\$7,246	\$7,500	\$7,966	\$8,438	\$9,245	\$10,112	\$11,042
Growth		3.5%	6.2%	5.9%	9.6%	9.4%	9.2%
- Change in NOWC	-4425	-4502	-1120	335	385	365	380
NOWC EOY	16574	12072	10953	11288	11673	12038	12418
Growth NOWC		-27.2%	-9.3%	3.1%	3.4%	3.1%	3.2%
- Chg NFA	434	143	1760	1832	2779	2004	2086
NFA EOY	51,850	51,993	53,753	55,585	58,364	60,368	62,454
Growth NFA		0.3%	3.4%	3.4%	5.0%	3.4%	3.5%
Total inv in op cap	-3991	-4359	640	2168	3164	2368	2466
Total net op cap	68424	64065	64705	66873	70037	72405	74872
FCFF	\$11,237	\$11,859	\$7,326	\$6,270	\$6,081	\$7,743	\$8,575
% of sales	35.0%	35.6%	21.0%	17.1%	15.8%	19.1%	20.2%
Growth		5.5%	-38.2%	-14.4%	-3.0%	27.3%	10.7%
- Interest (1-tax rate)	430	337	354	372	391	410	431
Growth		-21.6%	5.0%	5.0%	5.0%	5.0%	5.0%
+ Net new debt	-3000	-3500	1659	1742	1829	1921	2017
Debt	36682	33182	34841	36583	38412	40333	42350
Debt / tot net op capital	53.6%	51.8%	53.8%	54.7%	54.8%	55.7%	56.6%
FCFE w debt	\$7,807	\$8,022	\$8,631	\$7,640	\$7,519	\$9,254	\$10,161
% of sales	24.3%	24.1%	24.7%	20.8%	19.5%	22.9%	23.9%
Growth		2.8%	7.6%	-11.5%	-1.6%	23.1%	9.8%
/ No Shares	4294.9	4272.9	4,272.9	4,272.9	4,272.9	4,272.9	4,272.9
FCFE	\$1.82	\$1.88	\$2.02	\$1.79	\$1.76	\$2.17	\$2.38
Growth		3.3%	7.6%	-11.5%	-1.6%	23.1%	9.8%
* Discount factor	0.92	0.85	0.79	0.73	0.67	0.62	0.58
Discounted FCFE	\$1.68	\$1.60	\$1.60	\$1.31	\$1.19	\$1.35	\$1.37
	Third Stage						
Terminal value P/E							
Net income	\$6,793	\$7,141	\$7,612	\$8,066	\$8,854	\$9,701	\$10,611
% of sales	21.1%	21.5%	21.8%	22.0%	23.0%	24.0%	25.0%
EPS	\$1.58	\$1.67	\$1.78	\$1.89	\$2.07	\$2.27	\$2.48
Growth		5.7%	6.6%	6.0%	9.8%	9.6%	9.4%
Terminal P/E							24.00
* Terminal EPS							\$2.48
Terminal value							\$59.60
* Discount factor							0.58
Discounted terminal value							\$34.36
	Summary						
First stage	\$3.28	Present value of first 2 year cash flow					
Second stage	\$6.81	Present value of year 3-7 cash flow					
Third stage	\$34.36	Present value of terminal value P/E					
Value (P/E)	\$44.45	= value at beg of fiscal yr 2018					

Figure 29: 3-Stage DCF Model (Bull case)

	Year						
	1	2	3	4	5	6	7
	First Stage			Second Stage			
Cash flows	2018	2019	2020	2021	2022	2023	2024
Sales Growth	-10.7%	3.5%	6.0%	6.0%	6.0%	6.0%	6.0%
NOPAT / S	22.5%	22.5%	23.3%	23.6%	24.0%	24.3%	24.6%
S / NOWC	1.94	2.76	3.24	3.26	3.30	3.32	3.35
S / NFA (EOY)	0.62	0.64	0.67	0.68	0.70	0.70	0.71
S / IC (EOY)	0.47	0.52	0.56	0.56	0.58	0.58	0.59
ROIC (EOY)	10.6%	11.7%	12.9%	13.3%	13.9%	14.0%	14.4%
ROIC (BOY)		11.0%	12.8%	13.9%	14.3%	14.9%	15.1%
Share Growth		-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	\$32,147	\$33,275	\$35,272	\$37,388	\$39,631	\$42,009	\$44,530
NOPAT	\$7,246	\$7,500	\$8,218	\$8,824	\$9,512	\$10,208	\$10,954
Growth		3.5%	9.6%	7.4%	7.8%	7.3%	7.3%
- Change in NOWC	-4425	-4502	-1186	582	541	644	639
NOWC EOY	16574	12072	10886	11469	12010	12653	13293
Growth NOWC		-27.2%	-9.8%	5.3%	4.7%	5.4%	5.1%
- Chg NFA	434	143	652	2338	1634	3397	2705
NFA EOY	51,850	51,993	52,645	54,983	56,616	60,013	62,718
Growth NFA		0.3%	1.3%	4.4%	3.0%	6.0%	4.5%
Total inv in op cap	-3991	-4359	-534	2920	2175	4041	3344
Total net op cap	68424	64065	63531	66451	68626	72667	76011
FCFF	\$11,237	\$11,859	\$8,753	\$5,903	\$7,337	\$6,167	\$7,610
% of sales	35.0%	35.6%	24.8%	15.8%	18.5%	14.7%	17.1%
Growth		5.5%	-26.2%	-32.6%	24.3%	-15.9%	23.4%
- Interest (1-tax rate)	430	337	358	379	402	426	452
Growth		-21.6%	6.0%	6.0%	6.0%	6.0%	6.0%
+ Net new debt	-3000	-3500	1991	2110	2237	2371	2513
Debt	36682	33182	35173	37283	39520	41892	44405
Debt / tot net op capital	53.6%	51.8%	55.4%	56.1%	57.6%	57.6%	58.4%
FCFE w debt	\$7,807	\$8,022	\$10,386	\$7,634	\$9,172	\$8,113	\$9,672
% of sales	24.3%	24.1%	29.4%	20.4%	23.1%	19.3%	21.7%
Growth		2.8%	29.5%	-26.5%	20.1%	-11.6%	19.2%
/ No Shares	4294.9	4272.9	4,272.9	4,272.9	4,272.9	4,272.9	4,272.9
FCFE	\$1.82	\$1.88	\$2.43	\$1.79	\$2.15	\$1.90	\$2.26
Growth		3.3%	29.5%	-26.5%	20.1%	-11.6%	19.2%
* Discount factor	0.92	0.85	0.79	0.73	0.68	0.62	0.58
Discounted FCFE	\$1.68	\$1.61	\$1.92	\$1.31	\$1.45	\$1.19	\$1.31
	Third Stage						
Terminal value P/E							
Net income	\$6,793	\$7,141	\$7,861	\$8,444	\$9,110	\$9,782	\$10,503
% of sales	21.1%	21.5%	22.3%	22.6%	23.0%	23.3%	23.6%
EPS	\$1.58	\$1.67	\$1.84	\$1.98	\$2.13	\$2.29	\$2.46
Growth		5.7%	10.1%	7.4%	7.9%	7.4%	7.4%
Terminal P/E							27.00
* Terminal EPS							\$2.46
Terminal value							\$66.37
* Discount factor							0.58
Discounted terminal value							\$38.35
	Summary						
First stage	\$3.29	Present value of first 2 year cash flow					
Second stage	\$7.17	Present value of year 3-7 cash flow					
Third stage	\$38.35	Present value of terminal value P/E					
Value (P/E)	\$48.81	= value at beg of fiscal yr 2018					

Figure 30: 3-Stage DCF Model (Bear case)

	Year						
	1	2	3	4	5	6	7
	First Stage		Second Stage				
Cash flows	2018	2019	2020	2021	2022	2023	2024
Sales Growth	-10.7%	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%
NOPAT / S	22.5%	22.5%	22.8%	23.0%	24.0%	25.0%	26.0%
S / NOWC	1.94	2.76	3.19	3.25	3.30	3.36	3.42
S / NFA (EOY)	0.62	0.64	0.65	0.66	0.66	0.67	0.68
S / IC (EOY)	0.47	0.52	0.54	0.55	0.55	0.56	0.57
ROIC (EOY)	10.6%	11.7%	12.3%	12.6%	13.2%	14.0%	14.7%
ROIC (BOY)		11.0%	12.3%	12.9%	13.7%	14.3%	15.1%
Share Growth		-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	\$32,147	\$33,275	\$34,606	\$35,991	\$37,430	\$38,927	\$40,485
NOPAT	\$7,246	\$7,500	\$7,890	\$8,278	\$8,983	\$9,732	\$10,526
Growth		3.5%	5.2%	4.9%	8.5%	8.3%	8.2%
- Change in NOWC	-4425	-4502	-1224	226	268	243	252
NOWC EOY	16574	12072	10848	11074	11343	11586	11838
Growth NOWC		-27.2%	-10.1%	2.1%	2.4%	2.1%	2.2%
- Chg NFA	434	143	1248	1291	2181	1388	1435
NFA EOY	51,850	51,993	53,241	54,531	56,713	58,101	59,536
Growth NFA		0.3%	2.4%	2.4%	4.0%	2.4%	2.5%
Total inv in op cap	-3991	-4359	24	1516	2450	1631	1687
Total net op cap	68424	64065	64089	65605	68055	69686	71374
FCFF	\$11,237	\$11,859	\$7,867	\$6,762	\$6,534	\$8,101	\$8,839
% of sales	35.0%	35.6%	22.7%	18.8%	17.5%	20.8%	21.8%
Growth		5.5%	-33.7%	-14.0%	-3.4%	24.0%	9.1%
- Interest (1-tax rate)	430	337	351	365	380	395	411
Growth		-21.6%	4.0%	4.0%	4.0%	4.0%	4.0%
+ Net new debt	-3000	-3500	1327	1380	1436	1493	1553
Debt	36682	33182	34509	35890	37325	38818	40371
Debt / tot net op capital	53.6%	51.8%	53.8%	54.7%	54.8%	55.7%	56.6%
FCFE w debt	\$7,807	\$8,022	\$8,843	\$7,777	\$7,590	\$9,199	\$9,981
% of sales	24.3%	24.1%	25.6%	21.6%	20.3%	23.6%	24.7%
Growth		2.8%	10.2%	-12.1%	-2.4%	21.2%	8.5%
/ No Shares	4294.9	4272.9	4,272.9	4,272.9	4,272.9	4,272.9	4,272.9
FCFE	\$1.82	\$1.88	\$2.07	\$1.82	\$1.78	\$2.15	\$2.34
Growth		3.3%	10.2%	-12.1%	-2.4%	21.2%	8.5%
* Discount factor	0.92	0.85	0.79	0.73	0.67	0.62	0.58
Discounted FCFE	\$1.68	\$1.60	\$1.63	\$1.33	\$1.20	\$1.34	\$1.35
	Third Stage						
Terminal value P/E							
Net income	\$6,793	\$7,141	\$7,539	\$7,913	\$8,604	\$9,337	\$10,115
% of sales	21.1%	21.5%	21.8%	22.0%	23.0%	24.0%	25.0%
EPS	\$1.58	\$1.67	\$1.76	\$1.85	\$2.01	\$2.19	\$2.37
Growth		5.7%	5.6%	5.0%	8.7%	8.5%	8.3%
Terminal P/E							22.00
* Terminal EPS							\$2.37
Terminal value							\$52.08
* Discount factor							0.58
Discounted terminal value							\$30.02
	Summary						
First stage	\$3.28	Present value of first 2 year cash flow					
Second stage	\$6.85	Present value of year 3-7 cash flow					
Third stage	\$30.02	Present value of terminal value P/E					
Value (P/E)	\$40.16	= value at beg of fiscal yr 2018					

Business Risks

In comparison to other analysts, I have a more optimistic outlook on Coca-Cola. Ultimately, I believe that the firm will start to see a kick start in growth now that a large portion of its bottlers are gone. However, it is quite possible that sales do not meet my expectations and KO's growth will remain sluggish. According to the 10-K and my own analysis, several risk factors stand to impede the company's growth, such as:

Obesity and other health-related concerns may reduce demand for some of its products:

Obesity has tripled since 1975 and it is recognized as world-wide problem. With that being said, sugar is the main culprit manufacturers are trying to minimize. Most discrepancy has fallen on labeling and the disclosure of product contents. The main concern for the firm is that labeling or sale of the sugar-sweetened beverages may reduce demand for or increase the cost of its sugar-sweetened beverages.

Water scarcity and poor quality could negatively impact the Coca-Cola system's costs and capacity:

Being "green" has become very popular over the last few years as sustainability has come to light. Individuals, as well as companies, have taken it upon themselves to reduce their carbon footprints. KO uses water as its main product ingredient and major manufacturing component. As water becomes scarce, it would increase raw materials costs and decrease operating revenues.

If KO does not address changing consumer preferences, its business could suffer:

Consumer preferences are very hard to predict as they are constantly changing. If KO can't keep up with consumer preferences, the firm's sales will decline, and brand loyalty stands to suffer as well. Consumers will look elsewhere for products that satisfy their necessities.

Increased competition and capabilities in the marketplace could hurt KO's business:

Ever since consumer preferences have started to shift towards noncarbonated beverages, competition has become more aggressive. Coca-Cola and Pepsi are the two front-runners of the nonalcoholic beverage industry and both are looking into expanding their product portfolios to include more noncarbonated options. Energy drinks have also become more popular and rumor has it that Coca-Cola is looking to do more business with Monster. If this were to happen, it would put the firm ahead in that specific product line, thus serving as a possible competitive advantage.

Appendix 1: Income Statement

Income Statement	Dec-14	Dec-15	Dec-16	Dec-17E	Dec-18E	Dec-19E
Sales	\$45,998	\$44,294	\$41,863	\$35,991	\$32,147	\$33,275
Direct costs	17,889	17,482	16,465	13,857	12,312	12,744
Gross Margin	28,109	26,812	25,398	22,134	19,835	20,531
SG&A, R&D, and other	18,401	18,084	16,772	13,137	10,834	11,214
EBIT	9,708	8,728	8,626	8,998	9,001	9,317
Interest	383	(877)	490	573	535	419
EBT	9,325	9,605	8,136	8,425	8,467	8,898
Taxes	2,201	2,239	1,586	319	1,651	1,735
Income	7,124	7,366	6,550	8,106	6,816	7,163
Net income attributed to noncontrolling interests	26	15	23	27	23	22
Net income	7,098	7,351	6,527	8,079	6,793	7,141
Basic Shares	4,387	4,352	4,317	4,317	4,295	4,273
EPS	\$1.62	\$1.69	\$1.51	\$1.87	\$1.58	\$1.67
DPS	\$1.22	\$1.32	\$1.40	\$1.48	\$1.58	\$1.64

Appendix 2: Balance Sheet

Balance Sheet	Dec-14	Dec-15	Dec-16	Dec-17E	Dec-18E	Dec-19E
Cash	12,623	11,578	12,606	24,779	18,824	12,405
Operating assets ex cash	11,311	13,495	11,809	9,358	9,323	11,646
Operating assets	23,934	25,073	24,415	34,136	28,147	24,052
Operating liabilities	13,271	13,800	14,034	13,137	11,573	11,979
NOWC	10,663	11,273	10,381	20,999	16,574	12,072
NOWC ex cash (NWC)	(1,960)	(305)	(2,225)	(3,779)	(2,250)	(333)
NFA	68,089	64,923	62,855	51,416	51,850	51,993
<i>Invested capital</i>	<i>\$78,752</i>	<i>\$76,196</i>	<i>\$73,236</i>	<i>\$72,415</i>	<i>\$68,424</i>	<i>\$64,065</i>
<i>Total assets</i>	<i>\$92,023</i>	<i>\$89,996</i>	<i>\$87,270</i>	<i>\$85,552</i>	<i>\$79,997</i>	<i>\$76,044</i>
Short-term and long-term debt	\$38,193	\$41,440	\$42,182	\$39,682	\$36,682	\$33,182
Other liabilities	9,998	8,992	7,834	7,834	7,834	7,834
Debt/equity-like securities	-	-	-	-	-	-
Equity	30,561	25,764	23,220	24,899	23,908	23,049
<i>Total supplied capital</i>	<i>\$78,752</i>	<i>\$76,196</i>	<i>\$73,236</i>	<i>\$72,415</i>	<i>\$68,424</i>	<i>\$64,065</i>
<i>Total liabilities and equity</i>	<i>\$92,023</i>	<i>\$89,996</i>	<i>\$87,270</i>	<i>\$85,552</i>	<i>\$79,997</i>	<i>\$76,044</i>

Appendix 3: Sales Forecasting

Sales Forecast	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17E	Dec-18E	Dec-19E
Sales	46,854	45,998	44,294	41,863	35,991	32,147	33,275
<i>Growth</i>		-1.8%	-3.7%	-5.5%	-14.0%	-10.7%	3.5%
United States	21,574	21,462	21,784	19,899	16,890	14,880	15,401
<i>Growth</i>		-0.5%	1.5%	-8.7%	-15.1%	-11.9%	3.5%
<i>% of sales</i>	46.0%	46.7%	49.2%	47.5%	46.9%	46.3%	46.3%
Bottling Investments	7,598	6,972	6,682	6,289	3,000	950	1,010
<i>Growth</i>		-8.2%	-4.2%	-5.9%	-52.3%	-68.3%	6.3%
<i>% of sales</i>	16.2%	15.2%	15.1%	15.0%	8.3%	3.0%	3.0%
Corporate	154	136	156	127	125	124	125
<i>Growth</i>		-11.7%	14.7%	-18.6%	-1.6%	-1.2%	1.0%
<i>% of sales</i>	0.3%	0.3%	0.4%	0.3%	0.3%	0.4%	0.4%
Europe, Middle East, & Af	7,408	7,574	6,966	7,014	7,177	7,249	7,481
<i>Growth</i>		2.2%	-8.0%	0.7%	2.3%	1.0%	3.2%
<i>% of sales</i>	15.8%	16.5%	15.7%	16.8%	19.9%	22.5%	22.5%
Asia Pacific	5,372	5,257	4,707	4,788	5,010	5,110	5,309
<i>Growth</i>		-2.1%	-10.5%	1.7%	4.6%	2.0%	3.9%
<i>% of sales</i>	11.5%	11.4%	10.6%	11.4%	13.9%	15.9%	16.0%
Latin America	4,748	4,597	3,999	3,746	3,789	3,834	3,950
<i>Growth</i>		-3.2%	-13.0%	-6.3%	1.1%	1.2%	3.0%
<i>% of sales</i>	10.1%	10.0%	9.0%	8.9%	10.5%	11.9%	11.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Finished Products	29,049	28,519	27,905	25,118	20,767	18,324	19,800
<i>Growth</i>		-1.8%	-2.2%	-10.0%	-17.3%	-11.8%	8.1%
<i>% of sales</i>	62.0%	62.0%	63.0%	60.0%	57.7%	57.0%	56.4%
Concentrates	17,805	17,479	16,389	16,745	15,224	13,823	14,508
<i>Growth</i>		-1.8%	-6.2%	2.2%	-9.1%	-9.2%	5.0%
<i>% of sales</i>	38.0%	38.0%	37.0%	40.0%	42.3%	43.0%	43.6%

Appendix 4: Ratio Analysis

Ratio Analysis	Dec-14	Dec-15	Dec-16	Dec-17E	Dec-18E	Dec-19E
Profitability						
Gross margin	61.1%	60.5%	60.7%	61.5%	61.7%	61.7%
Operating (EBIT) margin	21.1%	19.7%	20.6%	25.0%	28.0%	28.0%
Net profit margin	15.4%	16.6%	15.6%	22.4%	21.1%	21.5%
Activity						
NFA (gross) turnover	0.69	0.67	0.66	0.63	0.62	0.64
Total asset turnover	0.51	0.49	0.47	0.42	0.39	0.43
Liquidity						
Op asset / op liab	1.80	1.82	1.74	2.60	2.43	2.01
NOWC Percent of sales	26.5%	24.8%	25.9%	43.6%	58.4%	43.0%
Solvency						
Debt to assets	41.5%	46.0%	48.3%	46.4%	45.9%	43.6%
Debt to equity	125.0%	160.8%	181.7%	159.4%	153.4%	144.0%
Other liab to assets	10.9%	10.0%	9.0%	9.2%	9.8%	10.3%
Total debt to assets	52.4%	56.0%	57.3%	55.5%	55.6%	53.9%
Total liabilities to assets	66.8%	71.4%	73.4%	70.9%	70.1%	69.7%
Debt to EBIT	3.93	4.75	4.89	4.41	4.08	3.56
EBIT/interest	25.35	(9.95)	17.60	15.70	16.84	22.23
Debt to total net op capital	48.5%	54.4%	57.6%	54.8%	53.6%	51.8%
ROIC						
NOPAT to sales	16.1%	15.1%	16.6%	20.1%	22.5%	22.5%
Sales to NWC	(50.16)	(39.11)	(33.09)	(11.99)	(10.66)	(25.76)
Sales to NFA	0.69	0.67	0.66	0.63	0.62	0.64
Sales to IC ex cash	0.70	0.68	0.67	0.66	0.66	0.66
Total ROIC ex cash	11.3%	10.2%	11.1%	13.4%	14.9%	14.8%

Appendix 5: Coca-Cola Comps Sheet

Ticker	Name	Current Price	Market Value	Price Change						Earnings Growth						Beta	LT Debt/ S&P		LTM Dividend		
				1 day	1 Mo	3 Mo	6 Mo	52 Wk	YTD	LTG	NTM	2016	2017	2018	2019		Pst 5yr	Equity	Rating	Yield	Payout
KO	COCA-COLA CO	\$44.19	\$188,279	0.5	(4.2)	(5.4)	(3.1)	8.8	(3.7)	5.6	89.6%	-2.0%	-4.5%	-0.5%	4.2%	-4.1%	0.57	146.8%	A-	3.11%	140.4%
PEP	PEPSICO INC	\$112.14	\$159,479	0.2	(4.5)	(1.7)	(3.8)	5.3	(6.5)	7.1	68.6%	-1.3%	6.1%	6.4%	7.8%		0.61	306.0%	A	2.63%	93.7%
DPS	DR PEPPER SNAPPLE GROUP INC	\$115.95	\$20,841	(0.7)	21.7	33.2	28.3	24.0	19.5	10.9	25.8%	10.1%	9.2%	4.8%	8.3%	10.5%	0.86	206.6%	A	1.94%	56.9%
MNST	MONSTER BEVERAGE CORP	\$63.39	\$35,750	(1.1)	(0.6)	1.9	17.8	46.0	0.2	19.4	27.8%	8.7%	31.0%	12.2%	16.3%	21.4%	1.01	0.0%	B+	0.00%	0.0%
FIZZ	NATIONAL BEVERAGE CORP	\$96.73	\$4,508	1.5	(4.5)	0.4	(10.4)	69.2	(0.7)	20.0	31.3%	24.8%	74.8%	18.3%	18.8%	22.0%	0.44	0.0%	B+	0.00%	0.0%
NESN-CH	NESTLE SA	\$81.60	\$252,788	(1.0)	(7.6)	(9.7)	(5.8)	3.4	(9.1)	8.5		-4.3%	1.2%	7.8%	8.9%	-1.5%	0.76			2.86%	
KHC	KRAFT HEINZ CO	\$71.71	\$87,376	(0.1)	(7.3)	(10.2)	(17.1)	(20.8)	(7.8)	8.6	20.5%	-30.5%	52.1%	9.0%	8.0%		0.06	48.2%		3.13%	75.6%
Average			\$107,003	(0.1)	(1.0)	1.2	0.9	19.4	(1.2)	11.4	44.0%	0.8%	24.3%	8.3%	10.3%	9.7%	0.61	117.9%		1.95%	61.1%
Median			\$87,376	(0.1)	(4.5)	(1.7)	(3.8)	8.8	(3.7)	8.6	29.6%	-1.3%	9.2%	7.8%	8.3%	10.5%	0.61	97.5%		2.63%	66.3%
SPX	S&P 500 INDEX	\$2,663		0.3	(4.4)	3.0	9.1	14.4	(0.4)			0.0%	0.5%	9.9%	11.0%						

Ticker	Website	2017		P/E							2017			EV/		P/CF		Sales Growth			Book
		ROE	P/B	2015	2016	2017	TTM	NTM	2018	2019	NPM	P/S	OM	ROIC	EBIT	Current	5-yr	NTM	STM	Pst 5yr	Equity
KO	http://www.coca-colacompany.com	36.8%	8.51	20.7	21.5	21.7	42.5	22.4	23.3	22.3	19.4%	4.50	24.8%	12.2%	21.9	21.5	16.9	-15.5%	-0.1%	-2.5%	\$5.19
PEP	http://www.pepsico.com	51.3%	11.86	20.4	21.9	21.6	33.2	19.7	21.7	20.2	11.0%	2.54		11.3%	18.2	16.2		3.1%	3.3%		\$9.45
DPS	http://www.drpeppersnapplegroup.com	37.2%	9.84	19.6	23.2	20.7	29.1	23.1	25.2	23.3	12.3%	3.24	20.1%	14.5%	14.5	19.4	14.0	3.9%	2.5%	1.8%	\$11.79
MNST	http://www.monsterbevcorp.com	19.6%	9.49	39.3	49.7	33.8	46.3	36.2	43.1	37.1	24.2%	11.73	38.4%	17.5%	22.3	41.6	50.8	11.4%	9.1%	12.3%	\$6.68
FIZZ	http://www.nationalbeverage.com	42.5%	17.97	21.5	34.7	22.3	36.1	27.5	35.7	30.0	12.9%	5.45	20.9%	47.4%	24.3	31.6	26.5	15.8%		5.6%	\$5.38
NESN-CH	http://www.nestle.com	15.9%	3.87	21.3	22.6	21.5			22.7	20.8	11.8%	2.87		11.4%	17.0	17.8	15.4			1.4%	\$21.06
KHC	http://www.kraftheinzcompany.com	6.9%	1.49	19.9	33.2	26.2	22.4	18.6	19.8	18.3	15.3%	3.30	26.6%	4.1%	19.1	17.6	15.9	2.0%	1.6%	7.3%	\$48.24
Average		30.0%	9.01	23.2	29.5	24.0	34.9	24.6	27.3	24.6	15.3%	4.80	26.2%	16.9%	19.6	23.7	23.2	3.5%	3.3%	4.3%	
Median		36.8%	9.49	20.7	23.2	21.7	34.6	22.8	23.3	22.3	12.9%	3.30	24.8%	12.2%	19.1	19.4	16.4	3.5%	2.5%	3.7%	
spx	S&P 500 INDEX			17.3	17.2	18.7			20.3	18.3											

Appendix 6: 3-Stage DCF Analysis (Base case)

	Year						
	1	2	3	4	5	6	7
	First Stage		Second Stage				
Cash flows	2018	2019	2020	2021	2022	2023	2024
<i>Sales Growth</i>	-10.7%	3.5%	5.0%	5.0%	5.0%	5.0%	5.0%
<i>NOPAT / S</i>	22.5%	22.5%	22.8%	23.0%	24.0%	25.0%	26.0%
<i>S / NOWC</i>	1.94	2.76	3.19	3.25	3.30	3.36	3.42
<i>S / NFA (EOY)</i>	0.62	0.64	0.65	0.66	0.66	0.67	0.68
<i>S / IC (EOY)</i>	0.47	0.52	0.54	0.55	0.55	0.56	0.57
<i>ROIC (EOY)</i>	10.6%	11.7%	12.3%	12.6%	13.2%	14.0%	14.7%
<i>ROIC (BOY)</i>		11.0%	12.4%	13.0%	13.8%	14.4%	15.3%
<i>Share Growth</i>		-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	\$32,147	\$33,275	\$34,939	\$36,686	\$38,520	\$40,446	\$42,469
NOPAT	\$7,246	\$7,500	\$7,966	\$8,438	\$9,245	\$10,112	\$11,042
<i>Growth</i>		3.5%	6.2%	5.9%	9.6%	9.4%	9.2%
- Change in NOWC	-4425	-4502	-1120	335	385	365	380
<i>NOWC EOY</i>	16574	12072	10953	11288	11673	12038	12418
<i>Growth NOWC</i>		-27.2%	-9.3%	3.1%	3.4%	3.1%	3.2%
- Chg NFA	434	143	1760	1832	2779	2004	2086
<i>NFA EOY</i>	51,850	51,993	53,753	55,585	58,364	60,368	62,454
<i>Growth NFA</i>		0.3%	3.4%	3.4%	5.0%	3.4%	3.5%
Total inv in op cap	-3991	-4359	640	2168	3164	2368	2466
Total net op cap	68424	64065	64705	66873	70037	72405	74872
FCFF	\$11,237	\$11,859	\$7,326	\$6,270	\$6,081	\$7,743	\$8,575
<i>% of sales</i>	35.0%	35.6%	21.0%	17.1%	15.8%	19.1%	20.2%
<i>Growth</i>		5.5%	-38.2%	-14.4%	-3.0%	27.3%	10.7%
- Interest (1-tax rate)	430	337	354	372	391	410	431
<i>Growth</i>		-21.6%	5.0%	5.0%	5.0%	5.0%	5.0%
+ Net new debt	-3000	-3500	1659	1742	1829	1921	2017
Debt	36682	33182	34841	36583	38412	40333	42350
<i>Debt / tot net op capital</i>	53.6%	51.8%	53.8%	54.7%	54.8%	55.7%	56.6%
FCFE w debt	\$7,807	\$8,022	\$8,631	\$7,640	\$7,519	\$9,254	\$10,161
<i>% of sales</i>	24.3%	24.1%	24.7%	20.8%	19.5%	22.9%	23.9%
<i>Growth</i>		2.8%	7.6%	-11.5%	-1.6%	23.1%	9.8%
/ No Shares	4294.9	4272.9	4,272.9	4,272.9	4,272.9	4,272.9	4,272.9
FCFE	\$1.82	\$1.88	\$2.02	\$1.79	\$1.76	\$2.17	\$2.38
<i>Growth</i>		3.3%	7.6%	-11.5%	-1.6%	23.1%	9.8%
* Discount factor	0.92	0.85	0.79	0.73	0.67	0.62	0.58
Discounted FCFE	\$1.68	\$1.60	\$1.60	\$1.31	\$1.19	\$1.35	\$1.37
	Third Stage						
Terminal value P/E							
Net income	\$6,793	\$7,141	\$7,612	\$8,066	\$8,854	\$9,701	\$10,611
<i>% of sales</i>	21.1%	21.5%	21.8%	22.0%	23.0%	24.0%	25.0%
EPS	\$1.58	\$1.67	\$1.78	\$1.89	\$2.07	\$2.27	\$2.48
<i>Growth</i>		5.7%	6.6%	6.0%	9.8%	9.6%	9.4%
Terminal P/E							24.00
* Terminal EPS							\$2.48
Terminal value							\$59.60
* Discount factor							0.58
Discounted terminal value							\$34.36
	Summary						
First stage	\$3.28	Present value of first 2 year cash flow					
Second stage	\$6.81	Present value of year 3-7 cash flow					
Third stage	\$34.36	Present value of terminal value P/E					
Value (P/E)	\$44.45	= value at beg of fiscal yr 2018					

Appendix 7: 3-Stage DCF Analysis (Bull case)

	Year						
	1	2	3	4	5	6	7
	First Stage		Second Stage				
Cash flows	2018	2019	2020	2021	2022	2023	2024
Sales Growth	-10.7%	3.5%	6.0%	6.0%	6.0%	6.0%	6.0%
NOPAT / S	22.5%	22.5%	23.3%	23.6%	24.0%	24.3%	24.6%
S / NOWC	1.94	2.76	3.24	3.26	3.30	3.32	3.35
S / NFA (EOY)	0.62	0.64	0.67	0.68	0.70	0.70	0.71
S / IC (EOY)	0.47	0.52	0.56	0.56	0.58	0.58	0.59
ROIC (EOY)	10.6%	11.7%	12.9%	13.3%	13.9%	14.0%	14.4%
ROIC (BOY)		11.0%	12.8%	13.9%	14.3%	14.9%	15.1%
Share Growth		-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	\$32,147	\$33,275	\$35,272	\$37,388	\$39,631	\$42,009	\$44,530
NOPAT	\$7,246	\$7,500	\$8,218	\$8,824	\$9,512	\$10,208	\$10,954
Growth		3.5%	9.6%	7.4%	7.8%	7.3%	7.3%
- Change in NOWC	-4425	-4502	-1186	582	541	644	639
NOWC EOY	16574	12072	10886	11469	12010	12653	13293
Growth NOWC		-27.2%	-9.8%	5.3%	4.7%	5.4%	5.1%
- Chg NFA	434	143	652	2338	1634	3397	2705
NFA EOY	51,850	51,993	52,645	54,983	56,616	60,013	62,718
Growth NFA		0.3%	1.3%	4.4%	3.0%	6.0%	4.5%
Total inv in op cap	-3991	-4359	-534	2920	2175	4041	3344
Total net op cap	68424	64065	63531	66451	68626	72667	76011
FCFF	\$11,237	\$11,859	\$8,753	\$5,903	\$7,337	\$6,167	\$7,610
% of sales	35.0%	35.6%	24.8%	15.8%	18.5%	14.7%	17.1%
Growth		5.5%	-26.2%	-32.6%	24.3%	-15.9%	23.4%
- Interest (1-tax rate)	430	337	358	379	402	426	452
Growth		-21.6%	6.0%	6.0%	6.0%	6.0%	6.0%
+ Net new debt	-3000	-3500	1991	2110	2237	2371	2513
Debt	36682	33182	35173	37283	39520	41892	44405
Debt / tot net op capital	53.6%	51.8%	55.4%	56.1%	57.6%	57.6%	58.4%
FCFE w debt	\$7,807	\$8,022	\$10,386	\$7,634	\$9,172	\$8,113	\$9,672
% of sales	24.3%	24.1%	29.4%	20.4%	23.1%	19.3%	21.7%
Growth		2.8%	29.5%	-26.5%	20.1%	-11.6%	19.2%
/ No Shares	4294.9	4272.9	4,272.9	4,272.9	4,272.9	4,272.9	4,272.9
FCFE	\$1.82	\$1.88	\$2.43	\$1.79	\$2.15	\$1.90	\$2.26
Growth		3.3%	29.5%	-26.5%	20.1%	-11.6%	19.2%
* Discount factor	0.92	0.85	0.79	0.73	0.68	0.62	0.58
Discounted FCFE	\$1.68	\$1.61	\$1.92	\$1.31	\$1.45	\$1.19	\$1.31
Third Stage							
Terminal value P/E							
Net income	\$6,793	\$7,141	\$7,861	\$8,444	\$9,110	\$9,782	\$10,503
% of sales	21.1%	21.5%	22.3%	22.6%	23.0%	23.3%	23.6%
EPS	\$1.58	\$1.67	\$1.84	\$1.98	\$2.13	\$2.29	\$2.46
Growth		5.7%	10.1%	7.4%	7.9%	7.4%	7.4%
Terminal P/E							27.00
* Terminal EPS							\$2.46
Terminal value							\$66.37
* Discount factor							0.58
Discounted terminal value							\$38.35
Summary							
First stage	\$3.29	Present value of first 2 year cash flow					
Second stage	\$7.17	Present value of year 3-7 cash flow					
Third stage	\$38.35	Present value of terminal value P/E					
Value (P/E)	\$48.81	= value at beg of fiscal yr 2018					

Appendix 8: 3-Stage DCF Analysis (Bear case)

	Year						
	1	2	3	4	5	6	7
	First Stage		Second Stage				
Cash flows	2018	2019	2020	2021	2022	2023	2024
Sales Growth	-10.7%	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%
NOPAT / S	22.5%	22.5%	22.8%	23.0%	24.0%	25.0%	26.0%
S / NOWC	1.94	2.76	3.19	3.25	3.30	3.36	3.42
S / NFA (EOY)	0.62	0.64	0.65	0.66	0.66	0.67	0.68
S / IC (EOY)	0.47	0.52	0.54	0.55	0.55	0.56	0.57
ROIC (EOY)	10.6%	11.7%	12.3%	12.6%	13.2%	14.0%	14.7%
ROIC (BOY)		11.0%	12.3%	12.9%	13.7%	14.3%	15.1%
Share Growth		-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	\$32,147	\$33,275	\$34,606	\$35,991	\$37,430	\$38,927	\$40,485
NOPAT	\$7,246	\$7,500	\$7,890	\$8,278	\$8,983	\$9,732	\$10,526
Growth		3.5%	5.2%	4.9%	8.5%	8.3%	8.2%
- Change in NOWC	-4425	-4502	-1224	226	268	243	252
NOWC EOY	16574	12072	10848	11074	11343	11586	11838
Growth NOWC		-27.2%	-10.1%	2.1%	2.4%	2.1%	2.2%
- Chg NFA	434	143	1248	1291	2181	1388	1435
NFA EOY	51,850	51,993	53,241	54,531	56,713	58,101	59,536
Growth NFA		0.3%	2.4%	2.4%	4.0%	2.4%	2.5%
Total inv in op cap	-3991	-4359	24	1516	2450	1631	1687
Total net op cap	68424	64065	64089	65605	68055	69686	71374
FCFF	\$11,237	\$11,859	\$7,867	\$6,762	\$6,534	\$8,101	\$8,839
% of sales	35.0%	35.6%	22.7%	18.8%	17.5%	20.8%	21.8%
Growth		5.5%	-33.7%	-14.0%	-3.4%	24.0%	9.1%
- Interest (1-tax rate)	430	337	351	365	380	395	411
Growth		-21.6%	4.0%	4.0%	4.0%	4.0%	4.0%
+ Net new debt	-3000	-3500	1327	1380	1436	1493	1553
Debt	36682	33182	34509	35890	37325	38818	40371
Debt / tot net op capital	53.6%	51.8%	53.8%	54.7%	54.8%	55.7%	56.6%
FCFE w debt	\$7,807	\$8,022	\$8,843	\$7,777	\$7,590	\$9,199	\$9,981
% of sales	24.3%	24.1%	25.6%	21.6%	20.3%	23.6%	24.7%
Growth		2.8%	10.2%	-12.1%	-2.4%	21.2%	8.5%
/ No Shares	4294.9	4272.9	4,272.9	4,272.9	4,272.9	4,272.9	4,272.9
FCFE	\$1.82	\$1.88	\$2.07	\$1.82	\$1.78	\$2.15	\$2.34
Growth		3.3%	10.2%	-12.1%	-2.4%	21.2%	8.5%
* Discount factor	0.92	0.85	0.79	0.73	0.67	0.62	0.58
Discounted FCFE	\$1.68	\$1.60	\$1.63	\$1.33	\$1.20	\$1.34	\$1.35
	Third Stage						
Terminal value P/E							
Net income	\$6,793	\$7,141	\$7,539	\$7,913	\$8,604	\$9,337	\$10,115
% of sales	21.1%	21.5%	21.8%	22.0%	23.0%	24.0%	25.0%
EPS	\$1.58	\$1.67	\$1.76	\$1.85	\$2.01	\$2.19	\$2.37
Growth		5.7%	5.6%	5.0%	8.7%	8.5%	8.3%
Terminal P/E							22.00
* Terminal EPS							\$2.37
Terminal value							\$52.08
* Discount factor							0.58
Discounted terminal value							\$30.02
	Summary						
First stage	\$3.28	Present value of first 2 year cash flow					
Second stage	\$6.85	Present value of year 3-7 cash flow					
Third stage	\$30.02	Present value of terminal value P/E					
Value (P/E)	\$40.16	= value at beg of fiscal yr 2018					

Appendix 9: Porter’s 5 Forces

Threat of New Entrants – Moderate

The threat of new players in the nonalcoholic beverage business is always possible, however I do not expect any entering business to be able to compete with Coca-Cola considering its market share and consumer brand loyalty.

Threat of Substitutes – High

Despite Coca-Cola’s high market share, its largest competitor PepsiCo. poses a great threat. PepsiCo. has a wide product portfolio in both beverage and snack foods. Coca-Cola does not have any snack food products.

Supplier Power – Low

Coca-Cola’s main ingredients for soft drinks include carbonated water, sweetener, and caffeine. Suppliers most likely value KO being a customer because the company brings them a lot of business.

Buyer Power – Low

Individuals pose no pressure on KO, because it does not sell directly to its end users. However, larger retailers have power to bargain due to their larger orders.

Intensity of Competition – High

Intensity within the market is very high to produce an appealing variety of products and packaging for customers. The popularity of noncarbonated beverages has grown over the past few years and each company is strategizing to implement new flavors and healthier options.

Appendix 10: SWOT Analysis

Strengths	Weaknesses
Brand loyalty Streamlined supply chain Large market share	Sustainability Foreign currency headwind
Opportunities	Threats
Expanding product portfolio Snack foods Variety in packaging	Consumer health trend Competition (Pepsi Co.) Unfavorable commodity prices