

# Equity Research

**WELLS  
FARGO**

Price Target Change — July 21, 2021

## Beverages

### The Coca-Cola Company (KO)

#### KO: Raising Estimates and Target—Breaking Down Our Forecasts

## Our Call

KO's Q221 was strong and we think there's some flex to deliver on its raised FY outlook while still investing, breaking down our estimates in this note on sales (see index analysis from Q119-Q421) and costs. We raised our target and estimates and think risk-reward on fundamentals remains positive. Please see [Q221 First Take](#) for a full recap of results vs expectations. Remain Overweight.

**Raising estimates and target.** We raised our 2021e EPS to \$2.23 (was \$2.15) vs guidance implying \$2.20-\$2.24 with our 2022e EPS to \$2.40 (was \$2.32). Our 2021e is driven by organic sales growth of +13.1% (net sales +14.9%) with gross margins +140bps y/y to 60.5% (still below 2019 of 60.7%) with operating margins -100bps y/y to 28.6% as we expect KO to accelerate spending in 2H with advertising back to 2H19 levels. Our price target goes to \$64 (was \$62) on an unchanged target multiple.

**Breaking down the recovery.** We break down each of KO's segments into an indexing analysis in this note (i.e. starting point of 1.0 in Q119 and carrying that forward through Q421). The idea is to have a grasp on which divisions recover to pre-pandemic levels, on what timeline, and on what top-line driver. **See Exhibit 1.** In Q221, *unit case volume* and *concentrate sales* were both trending ahead of Q219 levels in EMEA, LatAm, and Global Ventures, while price/mix was trending ahead in all divisions. For 2021e, our model implies that price/mix runs at a +2% CAGR 2019-2021 with unit case and concentrate sales ending 2021 flattish vs 2019. This gets us to our sales base of \$37.93bn.

**SG&A analysis.** We're assuming that KO returns to 2H19 advertising spending levels on a \$ basis (still implies tracking below 2H19 as a % of sales basis) with LSD inflation in base opex vs 2H19 levels offset by savings (recall KO said in February some of the \$350-550mn savings would be this year and some next year). **See Exhibit 2.**

**Considerations into 2H.** *Concentrate sales vs unit case volumes.* Concentrate sales were +9pts vs unit case volumes in Q221 (+6pts YTD partly on +5 extra days in Q1) and this should reverse somewhat in Q3, then again in Q4 with -6 fewer days. *Gross margins.* FY gross margins should be up y/y but likely below 2019 levels given inflation like in freight is picking up in 2H (commodities still seen benign to FY), with KO to lean on supply chain and revenue growth management as offsets - note that PEP said it's taking pricing in September. *Operating margins.* KO expects 2021 OM to be down y/y, implying a big step up in spend in 2H with advertising to get back to 2019 \$. *Savings.* KO's \$350-550mn annualized savings program will be a factor in 2H, albeit building into 2022. *Equity income.* Bottlers, as with KO, benefitted from lower costs in Q2 as the recovery of the away-from-home channels accelerated, driving upside to profits even vs pre-pandemic levels in Q221 (and thus driving upside to KO's equity income in the quarter). This should normalize in 2H as the Coke System picks up spending to drive sustainable growth.

## Equity Analyst(s)

### Chris Carey

Senior Equity Analyst | Wells Fargo Securities, LLC  
chris.carey@wellsfargo.com | 212-214-6059

### Joe Lachky, CFA

Associate Equity Analyst | Wells Fargo Securities, LLC  
joe.lachky@wellsfargo.com | 314-875-2042

### Marc Torrente, CFA, CPA

Associate Equity Analyst | Wells Fargo Securities, LLC  
marc.torrente@wellsfargo.com | 314-875-2557

Rating	Overweight
<b>Ticker</b>	<b>KO</b>
<b>Price Target/Prior:</b>	<b>\$64.00/\$62.00</b>
<b>Upside/(Downside) to Target</b>	<b>13.2%</b>
<b>Price (07/21/2021)</b>	<b>\$56.55</b>
52 Week Range	\$46.22 - 57.56
Shares Outstanding	4,311,680,667
Market Cap (MM)	\$243,826
Enterprise Value (MM)	\$272,792
Average Daily Volume	16,156,366
Average Daily Value (MM)	\$914
Dividend (NTM)	\$1.70
Dividend Yield	3.0%
Net Debt (MM) - last reported	\$28,966
ROIC - Current year est.	16%
3 Yr EPS CAGR from current year (unless otherwise noted)	9%

\$ EPS	2020A	2021E Curr.	2021E Prior	2022E Curr.	2022E Prior
Q1 (Mar)	0.51 A	0.55 A	NC	0.61 E	NC
Q2 (Jun)	0.42 A	0.68 A	0.56E	0.70 E	0.60E
Q3 (Sep)	0.55 A	0.56 E	0.59E	0.62 E	0.63E
Q4 (Dec)	0.47 A	0.43 E	0.44E	0.48 E	NC
FY	1.95 A	2.23 E	2.15E	2.40 E	2.32E
P/E	29.0x	25.4x		23.6x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv.  
NA = Not Available, Volatility = Historical trading volatility

Exhibit 1 - KO sales growth indexed to 2019

KO Organic Growth Indexed to 2019 Levels																										
	1Q19	1Q20	1Q21	1Q20	1Q21	2Q19	2Q20	2Q21	2Q20	2Q21	3Q19	3Q20	3Q21E	3Q20	3Q21E	4Q19	4Q20	4Q21E	4Q20	4Q21E	FY19	FY20	FY21E	FY20	FY21E	
Europe, Middle East & Africa	100.0	99.0	92.1	-1.0%	-7.0%	100.0	65.0	104.7	-35.0%	61.0%	100.0	94.0	104.3	-6.0%	11.0%	100.0	94.0	102.8	-6.0%	9.3%	100.0	87.0	100.5	-13.0%	15.5%	
Latin America	100.0	113.0	122.0	13.0%	8.0%	100.0	87.0	120.9	-13.0%	39.0%	100.0	96.0	100.8	-4.0%	5.0%	100.0	102.0	105.4	2.0%	3.3%	100.0	99.0	111.6	-1.0%	12.7%	
North America	100.0	104.0	108.2	4.0%	4.0%	100.0	82.0	105.0	-18.0%	28.0%	100.0	97.0	107.7	-3.0%	11.0%	100.0	97.0	103.1	-3.0%	6.3%	100.0	95.0	106.4	-5.0%	12.0%	
Asia Pacific	100.0	93.0	109.7	-7.0%	18.0%	100.0	78.0	94.4	-22.0%	21.0%	100.0	92.0	93.8	-8.0%	2.0%	100.0	92.0	87.7	-8.0%	-4.7%	100.0	88.0	96.0	-12.0%	9.1%	
Global Ventures	100.0	98.0	93.1	-2.0%	-5.0%	100.0	48.0	104.2	-52.0%	117.0%	100.0	80.0	100.0	-20.0%	25.0%	100.0	83.0	108.2	-17.0%	30.3%	100.0	77.0	101.4	-23.0%	31.6%	
Bottling Investments	100.0	94.0	110.0	-6.0%	17.0%	100.0	70.0	90.3	-30.0%	29.0%	100.0	94.0	96.8	-6.0%	3.0%	100.0	102.0	99.3	2.0%	-2.7%	100.0	90.0	98.8	-10.0%	9.8%	
Reported Organic Sales Growth	100.0	100.0	106.0	0.0%	6.0%	100.0	74.0	101.4	-26.0%	37.0%	100.0	94.0	102.1	-6.0%	8.6%	100.0	97.0	101.7	-3.0%	4.9%	100.0	91.0	102.9	-9.0%	13.1%	

KO Unit Case Volume Indexed to 2019 Levels																										
	1Q19	1Q20	1Q21	1Q20	1Q21	2Q19	2Q20	2Q21	2Q20	2Q21	3Q19	3Q20	3Q21E	3Q20	3Q21E	4Q19	4Q20	4Q21E	4Q20	4Q21E	FY19	FY20	FY21E	FY20	FY21E	
Europe, Middle East & Africa	100.0	100.0	98.0	0.0%	-2.0%	100.0	83.0	100.4	-17.0%	21.0%	100.0	97.0	105.7	-3.0%	9.0%	100.0	96.0	103.7	-4.0%	8.0%	100.0	94.0	101.5	-6.0%	8.0%	
Latin America	100.0	100.0	100.0	0.0%	0.0%	100.0	91.0	101.9	-9.0%	12.0%	100.0	96.0	104.6	-4.0%	9.0%	100.0	102.0	103.0	2.0%	1.0%	100.0	98.0	102.9	-2.0%	5.0%	
North America	100.0	103.0	96.8	3.0%	-6.0%	100.0	84.0	98.3	-16.0%	17.0%	100.0	94.0	102.5	-6.0%	9.0%	100.0	93.0	100.4	-7.0%	8.0%	100.0	93.0	99.4	-7.0%	6.9%	
Asia Pacific	100.0	93.0	101.4	-7.0%	9.0%	100.0	82.0	95.1	-18.0%	16.0%	100.0	96.0	97.9	-4.0%	2.0%	100.0	96.0	96.0	-4.0%	0.0%	100.0	91.0	97.1	-9.0%	6.7%	
Global Ventures	100.0	98.0	95.1	-2.0%	-3.0%	100.0	69.0	102.1	-31.0%	48.0%	100.0	89.0	106.8	-11.0%	20.0%	100.0	91.0	108.3	-9.0%	19.0%	100.0	87.0	102.0	-13.0%	17.2%	
Bottling Investments	100.0	95.0	99.8	-5.0%	5.0%	100.0	64.0	80.0	-36.0%	25.0%	100.0	90.0	91.8	-10.0%	2.0%	100.0	93.0	96.7	-7.0%	4.0%	100.0	85.0	91.8	-15.0%	8.0%	
Reported Volume Growth	100.0	99.0	99.0	-1.0%	0.0%	100.0	84.0	99.1	-16.0%	18.0%	100.0	96.0	103.4	-4.0%	7.7%	100.0	97.0	102.1	-3.0%	5.3%	100.0	94.0	100.6	-6.0%	7.0%	

KO Concentrate Sales Volume to 2019 Levels																										
	1Q19	1Q20	1Q21	1Q20	1Q21	2Q19	2Q20	2Q21	2Q20	2Q21	3Q19	3Q20	3Q21E	3Q20	3Q21E	4Q19	4Q20	4Q21E	4Q20	4Q21E	FY19	FY20	FY21E	FY20	FY21E	
Europe, Middle East & Africa	100.0	99.0	97.0	-1.0%	-2.0%	100.0	74.0	104.3	-26.0%	41.0%	100.0	100.0	100.0	0.0%	0.0%	100.0	99.0	100.3	-1.0%	1.3%	100.0	92.0	99.3	-8.0%	7.9%	
Latin America	100.0	105.0	107.1	5.0%	2.0%	100.0	82.0	105.8	-18.0%	29.0%	100.0	98.0	95.1	-2.0%	-3.0%	100.0	106.0	100.0	6.0%	-5.7%	100.0	98.0	102.4	-2.0%	4.5%	
North America	100.0	103.0	103.0	3.0%	0.0%	100.0	82.0	95.1	-18.0%	16.0%	100.0	93.0	99.5	-7.0%	7.0%	100.0	94.0	95.3	-6.0%	1.3%	100.0	93.0	98.5	-7.0%	5.9%	
Asia Pacific	100.0	97.0	116.4	-3.0%	20.0%	100.0	79.0	90.9	-21.0%	15.0%	100.0	96.0	95.0	-4.0%	-1.0%	100.0	93.0	86.8	-7.0%	-6.7%	100.0	90.0	96.1	-10.0%	6.7%	
Global Ventures	100.0	97.0	99.9	-3.0%	3.0%	100.0	66.0	105.6	-34.0%	60.0%	100.0	86.0	98.9	-14.0%	15.0%	100.0	98.0	110.1	-2.0%	12.3%	100.0	87.0	102.1	-13.0%	17.4%	
Bottling Investments	100.0	106.0	101.8	6.0%	-4.0%	100.0	114.0	76.4	14.0%	-33.0%	100.0	107.0	97.4	7.0%	-9.0%	100.0	99.0	95.0	-1.0%	-4.0%	100.0	106.0	92.2	6.0%	-13.0%	
Reported Concentrate Sales Growth	100.0	100.0	105.0	0.0%	5.0%	100.0	78.0	98.3	-22.0%	26.0%	100.0	96.0	97.6	-4.0%	1.7%	100.0	100.0	98.5	0.0%	-1.5%	100.0	93.0	99.4	-7.0%	6.9%	

Tracking ahead of comparable period in 2019
Tracking behind of comparable period in 2019

Source: Company reports, Wells Fargo Securities, LLC estimates

Exhibit 2 - KO SG&A build-up (\$mn)

Operating Expense Detail	1Q19R	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21E	4Q21E	FY21E
Stock-Based Compensation Expense	40	48	58	55	201	(5)	41	52	38	126	58	90	98	97	343
Advertising Expenses	953	1,165	1,201	927	4,246	902	370	870	635	2,777	901	740	1,201	927	3,769
Selling and Distribution Expenses	675	713	733	752	2,873	698	569	635	736	2,638	618	720	718	745	2,801
Other Operating Expenses	1,099	1,070	1,124	1,490	4,783	1,053	1,003	954	1,180	4,190	1,092	1,467	1,101	1,475	5,136
<b>Total SG&amp;A calculated</b>	<b>2,767</b>	<b>2,996</b>	<b>3,116</b>	<b>3,224</b>	<b>12,103</b>	<b>2,648</b>	<b>1,983</b>	<b>2,511</b>	<b>2,589</b>	<b>9,731</b>	<b>2,669</b>	<b>3,017</b>	<b>3,119</b>	<b>3,244</b>	<b>12,049</b>
<b>Total SG&amp;A in Model</b>	<b>2,767</b>	<b>2,996</b>	<b>3,116</b>	<b>3,224</b>	<b>12,103</b>	<b>2,648</b>	<b>1,983</b>	<b>2,511</b>	<b>2,589</b>	<b>9,731</b>	<b>2,669</b>	<b>3,017</b>	<b>3,126</b>	<b>3,273</b>	<b>12,085</b>
Operating Expense %	1Q19R	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21E	4Q21E	FY21E
Stock-Based Compensation Expense	0.5%	0.5%	0.6%	0.6%	0.5%	-0.1%	0.6%	0.6%	0.4%	0.4%	0.6%	0.9%	1.0%	1.1%	0.9%
Advertising Expenses	11.0%	11.7%	12.6%	10.2%	11.4%	10.5%	5.2%	10.1%	7.4%	8.4%	10.0%	7.3%	12.4%	10.2%	9.9%
Selling and Distribution Expenses	7.8%	7.1%	7.7%	8.3%	7.7%	8.1%	7.9%	7.3%	8.6%	8.0%	6.9%	7.1%	7.4%	8.2%	7.4%
Other Operating Expenses	12.6%	10.7%	11.8%	16.4%	12.8%	12.3%	14.0%	11.0%	13.7%	12.7%	12.1%	14.5%	11.4%	16.2%	13.5%
<b>Total SG&amp;A calculated</b>	<b>31.8%</b>	<b>30.0%</b>	<b>32.8%</b>	<b>35.5%</b>	<b>32.5%</b>	<b>30.9%</b>	<b>27.6%</b>	<b>29.0%</b>	<b>30.1%</b>	<b>29.5%</b>	<b>29.6%</b>	<b>29.8%</b>	<b>32.2%</b>	<b>35.6%</b>	<b>31.8%</b>
Operating Expense bps change	1Q19R	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21E	4Q21E	FY21E
Stock-Based Compensation Expense						(52)	9	(1)	(16)	(16)	70	32	41	62	52
Advertising Expenses						(44)	(650)	(258)	(282)	(297)	(53)	215	234	280	152
Selling and Distribution Expenses						38	80	(37)	28	29	(129)	(82)	7	(38)	(61)
Other Operating Expenses						(35)	328	(80)	(268)	(13)	(17)	51	34	249	84
<b>Total SG&amp;A calculated</b>						<b>(92)</b>	<b>(233)</b>	<b>(376)</b>	<b>(539)</b>	<b>(298)</b>	<b>(129)</b>	<b>216</b>	<b>317</b>	<b>554</b>	<b>227</b>

Source: Company reports, Wells Fargo Securities, LLC estimates

Exhibit 3 - KO FY21 guidance vs WFS

Guidance Provided as of:	FY 2021 Guidance				
	Q420 Earnings Feb 10, 2021	Q121 Earnings Apr 19, 2021	Q221 Earnings Jul 21, 2021	Our FY21 Estimates	Our FY22 Estimates
<b>EPS Growth (Continuing Operations)</b>	+HSD-LDD%	+HSD-LDD%	+13-15%	14%	8%
<b>Currency Impact on EPS</b>	+3-4%	+2-3%	+2-3%		
<b>Organic revenues (Currency Neutral)</b>	+HSD%	+HSD%	+12-14%	13%	5%
<b>Currency Impact on Net Revenue</b>	+2-3%	+1-2%	+1-2%	2%	0%
<b>Tax Rate</b>	19.5%	19.1%	19.1%	19.1%	19.5%
<b>Capital Expenditures</b>	\$1.5Bn	\$1.5Bn	\$1.5Bn	\$1.5Bn	\$1.6Bn
<b>Cash from operations</b>	\$10.0Bn	\$10.0Bn	\$10.5Bn	\$10.5Bn	\$10.7Bn
<b>Adjusted Free Cash Flow (Operating CF less Capex)</b>	\$8.5Bn	\$8.5Bn	\$9.0Bn	\$9.0Bn	\$9.1Bn

Source: Company reports, Wells Fargo Securities, LLC estimates

## Financials

Exhibit 4 - KO earnings model (\$mn except per share data)

	FY18R	1Q19R	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21E	4Q21E	FY21E	1Q22E	2Q22E	3Q22E	4Q22E	FY23E
Net Operating Revenues - GAAP																					
Net Operating Revenues	34,291.0	8,698.0	9,997.0	9,507.0	9,068.0	37,266.0	8,601.0	7,150.0	8,652.0	8,611.0	33,014.0	9,020.0	10,125.0	9,684.1	9,103.9	37,937.0	9,607.7	10,742.0	10,159.0	9,502.1	40,010.8 <span style="color: #00AEEF;">41,881.0</span>
Cost of Goods Sold - reported																					
Cost of Goods Sold	13,125.0	3,365.0	3,921.0	3,767.0	3,565.0	14,619.0	3,371.0	3,013.0	3,471.0	3,578.0	13,433.0	3,505.0	3,787.0	3,879.9	3,645.5	14,818.4	3,692.0	4,061.3	3,993.9	3,787.1	15,534.4 <span style="color: #00AEEF;">16,218.6</span>
% of Sales	38.3%	39.2%	39.3%	39.1%	39.7%	39.3%	38.4%	42.3%	40.6%	42.6%	40.9%	39.4%	38.6%	40.1%	39.3%	38.4%	37.8%	39.3%	39.9%	38.8%	38.7%
Gross Profit - reported																					
Gross Profit	21,166.0	5,288.0	6,070.0	5,783.0	5,480.0	22,621.0	5,282.0	4,137.0	5,140.0	4,942.0	19,561.0	5,463.0	6,221.0	5,804.3	5,457.3	22,945.6	5,915.7	6,680.6	6,165.0	5,715.1 <span style="color: #00AEEF;">24,476.4</span>	25,662.4
% of Sales	61.7%	60.8%	60.7%	60.9%	60.3%	60.7%	61.6%	57.7%	59.4%	57.4%	59.1%	60.6%	61.4%	59.9%	59.9%	60.5%	61.6%	62.2%	60.7%	60.1%	61.2% <span style="color: #00AEEF;">61.3%</span>
Change (bps)	-93	-172	-133	-85	-18	-105	82	-306	-144	-287	-156	-104	378	50	250	140	100	75	20	66	10
Selling, General and Administrative Expenses - reported																					
Selling, General and Administrative Expenses	11,280.0	2,767.0	2,996.0	3,116.0	3,224.0	12,103.0	2,648.0	1,983.0	2,511.0	2,589.0	9,731.0	2,669.0	3,017.0	3,125.7	3,273.3	12,086.0	2,859.3	3,235.7	3,252.4	3,332.8 <span style="color: #00AEEF;">13,199.6</span>	12,680.2 <span style="color: #00AEEF;">13,199.6</span>
% of Sales	32.9%	32.6%	30.4%	31.8%	35.6%	32.8%	30.9%	27.6%	29.0%	30.1%	29.5%	29.7%	32.3%	36.0%	31.8%	29.8%	30.1%	32.0%	35.1%	31.7%	31.5%
Change (bps)	-263	-130	-108	178	-18	-167	277	-376	-539	-327	-129	211	324	569	238	17	37	26	98	-15	-16
Other Operating Charges (non-recurring)																					
Operating Income - reported		127.0	92.0	125.0	114.0	458.0	202.0	173.0	106.0	853.0	124.0	309.0	309.0	1,051.0	309.0	309.0	309.0	309.0	309.0	309.0	1,236.0
Operating Income	9,886.0	2,456.0	3,030.0	2,667.0	2,256.0	10,409.0	2,634.0	2,154.0	2,629.0	2,353.0	9,770.0	2,794.0	3,209.0	2,678.5	2,184.0	10,865.6	3,056.3	3,445.0	2,912.7	2,382.3 <span style="color: #00AEEF;">11,796.3</span>	12,462.9
% of Sales	28.6%	28.2%	30.3%	28.1%	24.6%	27.9%	30.7%	30.0%	30.4%	27.4%	29.6%	31.0%	31.7%	27.7%	24.0%	28.6%	31.7%	28.7%	25.1%	29.5%	29.8%
Change (bps)	189	-42	-25	-262	0	-97	249	-29	233	252	169	167	-336	-96	83	38	101	108	84	28	
Interest Income-GAAP	689.0	133.0	142.0	153.0	135.0	563.0	112.0	100.0	82.0	76.0	370.0	66.0	71.0	74.0	63.6	286.0	62.2	66.3	72.9	66.8	268.1 <span style="color: #00AEEF;">204.2</span>
Interest Expense-GAAP	977.0	245.0	236.0	230.0	235.0	946.0	193.0	274.0	660.0	310.0	1,437.0	442.0	780.0	202.7	1,627.4	209.9	197.9	195.5	193.0	197.2	176.2 <span style="color: #00AEEF;">176.2</span>
Interest Expense, net-GAAP	288.0	112.0	94.0	77.0	100.0	383.0	81.0	174.0	578.0	234.0	1,067.0	376.0	709.0	128.7	1,346.7	138.7	131.6	122.6	122.6	122.6 <span style="color: #00AEEF;">519.1</span>	519.1 <span style="color: #00AEEF;">519.1</span>
Interest Income	133.0	142.0	153.0	135.0	563.0	112.0	100.0	82.0	76.0	370.0	66.0	71.0	74.0	69.6	286.0	62.2	66.3	72.9	66.8	268.1 <span style="color: #00AEEF;">204.2</span>	
Interest Expense	245.0	236.0	230.0	235.0	946.0	193.0	274.0	660.0	310.0	1,437.0	442.0	780.0	202.7	1,627.4	209.9	197.9	195.5	193.0	197.2	176.2 <span style="color: #00AEEF;">176.2</span>	
Interest Expense, net	112.0	94.0	77.0	100.0	383.0	81.0	174.0	578.0	234.0	1,067.0	376.0	709.0	128.7	1,346.7	138.7	131.6	122.6	122.6	122.6 <span style="color: #00AEEF;">519.1</span>	519.1 <span style="color: #00AEEF;">519.1</span>	
Equity Income (loss) - net (reported)																					
Equity Income (loss) - net	1,119.0	133.0	329.0	346.0	241.0	1,049.0	167.0	176.0	431.0	204.0	978.0	279.0	402.0	406.7	241.2	1,328.9	284.2	381.7	471.6	275.9	1,411.6 <span style="color: #00AEEF;">1,482.1</span>
Other Income (loss) - net (reported)																					
Other Income (loss) - net	338.0	40.0	57.0	45.0	(7.0)	135.0	15.0	14.0	50.0	38.0	117.0	70.0	58.0	55.0	41.8	224.8	80.5	66.7	63.3	48.1	258.5 <span style="color: #00AEEF;">271.4</span>
Income Before Income Taxes - reported																					
Income Before Income Taxes	11,055.0	2,559.0	3,348.0	3,020.0	2,383.0	11,310.0	2,773.0	2,233.0	2,964.0	2,528.0	10,458.0	2,977.0	3,606.0	3,011.7	2,333.9	11,928.6	3,280.5	3,761.7	3,325.0	2,580.1	12,947.3 <span style="color: #00AEEF;">13,655.5</span>
% of Sales	32.2%	29.4%	33.5%	37.8%	26.2%	30.3%	32.3%	31.1%	34.3%	29.4%	37.8%	33.0%	35.6%	37.1%	25.6%	31.4%	35.0%	32.7%	32.4%	32.6%	32.6% <span style="color: #00AEEF;">32.6%</span>
Income Taxes - GAAP																					
Income Taxes	2,077.0	509.0	643.0	589.0	454.0	2,195.0	540.0	436.0	578.0	420.0	569.0	575.2	445.8	523.0	639.7	733.5	648.4	503.1	524.7	2,662.8	
Tax rate - normalized	18.8%	19.9%	19.2%	19.5%	19.1%	19.4%	19.5%	19.6%	19.5%	19.6%	19.5%	19.1%	19.1%	19.1%	19.1%	19.5%	19.5%	19.5%	19.5%	19.5%	19.5% <span style="color: #00AEEF;">19.5%</span>
Consolidated Net Income - reported																					
Consolidated Net Income	8,978.0	2,050.0	2,705.0	2,431.0	1,929.0	9,115.0	2,333.0	1,737.0	2,386.0	2,040.0	8,456.0	2,408.0	2,917.0	2,406.4	1,888.1	9,649.6	2,640.8	3,028.2	2,616.6	2,977.0	10,992.5 <span style="color: #00AEEF;">10,992.5</span>
Less: Net Inv Attributable to Noncontrolling Interests - reported																					
Less: Net Inv Attributable to Noncontrolling Interests	23.0	2.0	(10.0)	(4.0)	23.0	11.0	20.0	(20.0)	3.0	18.0	21.0	10.0	(17.0)	2.4	1.9	(2.7)	2.6	3.0	2.7	2.1	10.4 <span style="color: #00AEEF;">11.0</span>
% Consolidated Net Income	0.3%	0.1%	-0.4%	-0.2%	1.2%	0.1%	0.9%	-1.1%	0.1%	0.1%	0.2%	0.4%	-0.6%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1% <span style="color: #00AEEF;">0.1%</span>
Net Income Attributable to Coca-Cola Shareholders - reported																					
Net Income Attributable to Coca-Cola Shareholders	8,955.0	2,040.0	2,715.0	2,357.0	1,906.0	9,104.0	2,213.0	1,817.0	2,383.0	2,022.0	8,435.0	2,398.0	2,934.0	2,434.0	1,868.3	9,652.5	2,638.2	3,025.2	2,673.9	2,074.9	10,412.1 <span style="color: #00AEEF;">10,981.7</span>
Earnings per Share - reported																					
Earnings per Share	\$2.08	\$0.48	\$0.63	\$0.56	\$0.44	\$2.11	\$0.51	\$0.42	\$0.55	\$0.47	\$1.95	\$0.55	\$0.56	\$0.43	\$0.42	\$0.61	\$0.61	\$0.56	\$0.46	\$0.46	\$2.53 <span style="color: #00AEEF;">\$2.53</span>
Basic Shares Outstanding	4,259.0	4,271.0	4,269.0	4,280.0	4,282.0	4,276.0	4,289.0	4,295.0	4,296.0	4,300.0	4,295.0	4,298.0	4,310.0	4,315.0	4,318.0	4,308.7	4,318.4	4,319.0	4,316.9	4,323.5 <span style="color: #00AEEF;">4,323.5</span>	
Diluted Shares Outstanding	4,259.0	4,306.0	4,305.0	4,321.0	4,322.0	4,314.0	4,325.0	4,316.0	4,321.0	4,329.0	4,323.0	4,325.0	4,330.0	4,340.0	4,343.0	4,335.5	4,343.4	4,344.0	4,344.6	4,345.3	4,348.5 <span style="color: #00AEEF;">4,348.5</span>
Dividends per share	\$1.54	\$0.39	\$0.40	\$0.40	\$0.40	\$1.59	\$0.40	\$0.41	\$0.41	\$0.41	\$1.63	\$0.41	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.44	\$0.44	\$0.44	\$1.83 <span style="color: #00AEEF;">\$1.83</span>
Dividend Growth	5.5%	5.4%	2.6%	2.6%	3.2%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	5.0%	5.0%	4.8%	
Depreciation & Amortization Expense	1,088.0	275.0	327.0	363.0	400.0	1,365.0	367.0	381.0	350.0	430.0	1,536.0	365.0	383.0	395.0	414.2	1,558.2	372.3	386.7	413.5	1,570.3 <span style="color: #00AEEF;">1,594.4</span>	1,594.4 <span style="color: #00AEEF;">1,594.4</span>
EBITDA (adjusted)	10,972.0	2,731.0	3,357.0	3,030.0	2,656.0	11,774.0	3,001.0	2,535.0	2,987.0	2,783.0	11,306.0	3,160.0	3,592.0	3,073.6	2,982.8	3,426.8	3,831.7	3,310.4	2,795.8	13,366.5 <span style="color: #00AEEF;">14,042.7</span>	
EBITDA per Share	\$2.55	\$0.63	\$0.78	\$0.70	\$0.61	\$2.73	\$0.69	\$0.59	\$0.69	\$0.64	\$2.62	\$0.73	\$0.83	\$0.71	\$0.69	\$2.85	\$0.89	\$0.76	\$0.64	\$0.64	\$3.03 <span style="color: #00AEEF;">\$3.03</span>
Shares Outstanding - Diluted	-0.6%	0.0%	0.3%	0.7%	0.4%	0.3%	0.4%	0.3%	0.0%	0.2%	0.2%	0.0%	0.5%	0.4%	0.3%	0.0%	0.5%	0.1%	0.1%	0.1%	0.2% <span style="color: #00AEEF;">0.1%</span>
Interest Income	1.8%	-18.9%	-17.9%	-10.5%	-24.6%	-18.3%	-15.8%	-29.6%	-46.4%	-37.3%	-34.3%	-41.1%	-29.0%	-9.7%	-8.4%	-5.8					

## Price Target Basis and Risk

### **Price Target for KO: \$64.00 from \$62.00**

Our \$64 price target is based on a 26.5x P/E multiple to our CY22E EPS estimate.

### **Risk for KO**

Risks include: (1) The global recovery may be slower than we expect; (2) Margin improvement could stall; (3) The dividend could suffer.

## Investment Thesis

### KO

We see upside potential to sales as the recovery takes shape with newfound flexibility around earnings delivery. We view the dividend as manageable with additional capital deployment potential ahead. Buy the recovery, in our view. Overweight KO.

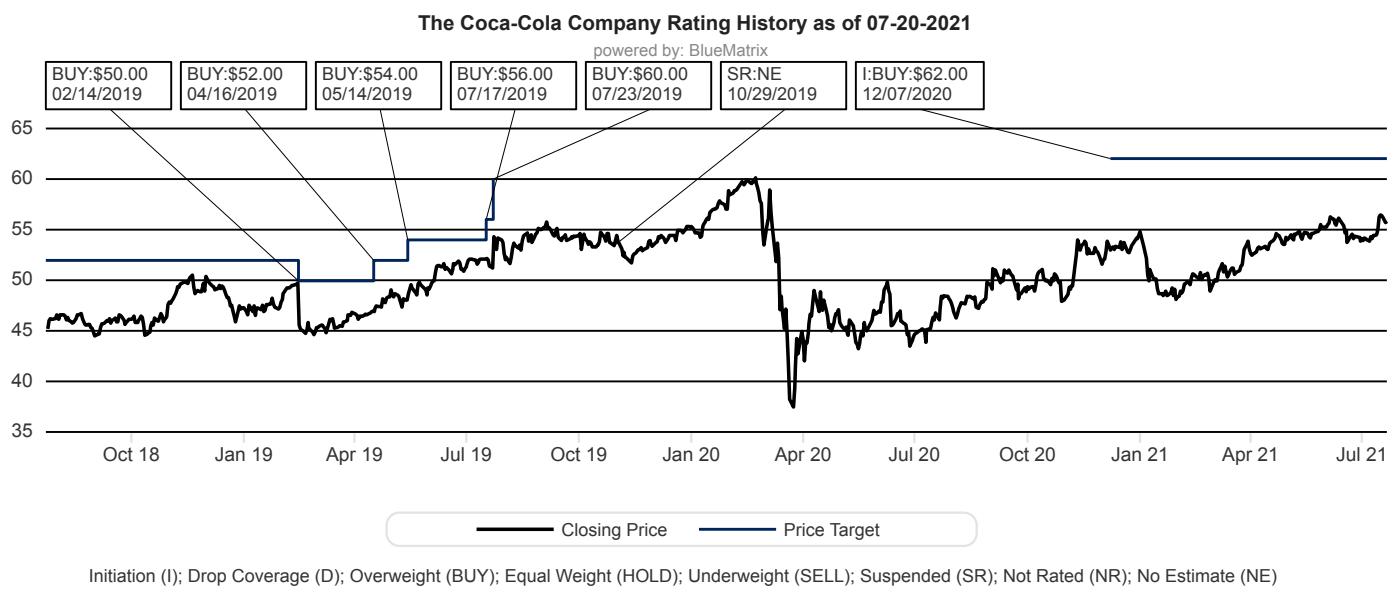
## Required Disclosures

I, Chris Carey, certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

## Additional Information Available Upon Request



Wells Fargo Securities, LLC and/or its affiliates, have beneficial ownership of 0.5% or more of any class of the common stock of The Coca-Cola Company.

Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from The Coca-Cola Company in the past 12 months.

Wells Fargo Securities, LLC or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from an affiliate of The Coca-Cola Company

Wells Fargo Securities, LLC maintains a market in the common stock of The Coca-Cola Company.

Wells Fargo Securities, LLC, or its affiliates, managed or co-managed a public offering of securities for The Coca-Cola Company within the past 12 months.

Wells Fargo Securities, LLC, or any of its affiliates, intends to seek or expects to receive compensation for investment banking services from The Coca-Cola Company in the next three months.

The Coca-Cola Company currently is, or during the 12 month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided investment banking services to The Coca-Cola Company.

Wells Fargo Securities, LLC or its affiliates has a significant financial interest in The Coca-Cola Company.

### STOCK RATING

**1=Overweight:** Total return on stock expected to be 10%+ over the next 12 months. BUY

**2=Equal Weight:** Total return on stock expected to be 0-10% over the next 12 months. HOLD

**3=Underweight:** Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

### As of July 20, 2021

56.1% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight.

33.8% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight.

10.1% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight.

Wells Fargo Securities, LLC has provided investment banking services for 58.9% of its Equity Research Overweight-rated companies.

Wells Fargo Securities, LLC has provided investment banking services for 49.1% of its Equity Research Equal Weight-rated companies.

Wells Fargo Securities, LLC has provided investment banking services for 40.0% of its Equity Research Underweight-rated companies.

#### **Important Disclosure for U.S. Clients**

This report was prepared by Wells Fargo Securities Global Research Department ("WFS Research") personnel associated with Wells Fargo Securities and Structured Asset Investors, LLC ("SAI"), an investment adviser subsidiary of Wells Fargo & Co. If you are paying directly for this research, it is being provided by SAI. For all other recipients in the U.S. this report is being provided by Wells Fargo Securities.

Wells Fargo Securities' research department may, from time to time, provide clients with short-term trading views in its research reports regarding subject companies on which Wells Fargo Securities currently has equity research coverage. A short-term trading view offers a view on how the market price of a subject company's common equity may trend in absolute terms during the 30 days following the date of the short-term trading view. A short-term trading view on a subject company's common equity does not impact our fundamental investment rating or price target for that company, which reflect our view of how the subject company's common equity may perform over a one-year period. A short-term trading view may reach a different conclusion than the firm's fundamental investment rating and price target for a subject company and, therefore, short-term trading views could result in short-term price movements that are contrary to our fundamental investment rating and price target. Short-term trading views are not ratings and the firm does not intend, nor undertakes any obligation, to maintain, update or close out short-term trading views. Short-term trading views may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any short-term trading views discussed in Wells Fargo Securities research reports.

#### **Important Disclosure for International Clients**

**United Kingdom** – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a UK incorporated investment firm authorised and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the "Act"), the content of this report has been approved by WFSIL, an authorised person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

**EEA** – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

**Australia** – Wells Fargo Securities, LLC, Wells Fargo Securities International Limited and Wells Fargo Securities Asia Limited are exempt from the requirements to hold an Australian financial services license in respect of the financial services they provide to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under the laws of the United States, Wells Fargo Securities International Limited is regulated under laws of the United Kingdom, and Wells Fargo Securities Asia Limited is regulated under the laws of Hong Kong. All such laws differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC, Wells Fargo Securities International Limited or Wells Fargo Securities Asia Limited in the course of providing the financial services will be prepared in accordance with the laws of the United States, United Kingdom or Hong Kong and not Australian laws.

**Canada** – This report is distributed in Canada by Wells Fargo Securities Canada, Ltd., a registered investment dealer in Canada and member of the Investment Industry Regulatory Organization of Canada (IIROC) and Canadian Investor Protection Fund (CIPF). Wells Fargo Securities, LLC's research analysts may participate in company events such as site visits but are generally prohibited from accepting payment or reimbursement by the subject companies for associated expenses unless pre-authorized by members of Research Management.

**Hong Kong** – This report is issued and distributed in Hong Kong by Wells Fargo Securities Asia Limited ("WFSAL"), a Hong Kong incorporated investment firm licensed and regulated by the Securities and Futures Commission to carry on types 1, 4, 6 and 9 regulated activities (as defined in the Securities and Futures Ordinance (Cap. 571 The Laws of Hong Kong), "the SFO"). This report is not intended for, and should not be relied on by, any person other than professional investors (as defined in the SFO). Any securities and related financial instruments described herein are not intended for sale, nor will be sold, to any person other than professional investors (as defined in the SFO). The author or authors of this report is or are not licensed by the Securities and Futures Commission. Professional investors who receive this report should direct any queries regarding its contents to Kelly Chiang and Mandy Wan at WFSAL (email: wfsalresearch@wellsfargo.com).

**Japan** – This report is distributed in Japan by Wells Fargo Securities (Japan) Co., Ltd, registered with the Kanto Local Finance Bureau to conduct broking and dealing of type 1 and type 2 financial instruments and agency or intermediary service for entry into investment advisory or discretionary investment contracts. This report is intended for distribution only to professional investors (Tokutei Toushika) and is not intended for, and should not be relied upon by, ordinary customers (Ippan Toushika).

The ratings stated on the document are not provided by rating agencies registered with the Financial Services Agency of Japan (JFSA) but by group companies of JFSA-registered rating agencies. These group companies may include Moody's Investors Services Inc., Standard & Poor's Rating Services and/or Fitch Ratings. Any decisions to invest in securities or transactions should be made after reviewing policies and methodologies used for assigning credit ratings and assumptions, significance and limitations of the credit ratings stated on the respective rating agencies' websites.

#### **About Wells Fargo Securities**

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of NYSE, FINRA, NFA and

SIPC, Wells Fargo Prime Services, LLC, a member of FINRA, NFA and SIPC, Wells Fargo Securities Canada, Ltd., a member of IROC and CIPF, Wells Fargo Bank, N.A. and Wells Fargo Securities International Limited, authorized and regulated by the Financial Conduct Authority.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in the report. This report, including any ratings it contains, should not be considered a recommendation tailored to a particular investor with respect to (i) the security or securities or (ii) any investment strategy or strategies discussed in the report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information or they wish to effect transactions in the securities discussed in this report. The information in this report has been obtained or derived from sources believed by Wells Fargo Securities Global Research Department ("WFS Research"), to be reliable, but WFS Research does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of WFS Research, at this time, and are subject to change without notice. Certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by third parties (collectively, "Third Party Content"). Third Party Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Third Party Content included in this report for purposes other than fair use requires permission from the copyright owner. Any external website links included in this publication are not maintained, controlled or operated by Wells Fargo Securities. Wells Fargo Securities does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of Wells Fargo Securities. Please review the applicable privacy and security policies and terms and conditions for the website you are visiting. All Wells Fargo Securities and SAI research reports published by WFS Research are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Additional distribution may be effected via email, fax or regular mail. Clients may also receive our research via third party vendors. Not all research content is redistributed to our clients or available to third-party aggregators, nor is WFS Research responsible for the redistribution of our research by third party aggregators. Equity Strategists focus on investment themes across the equity markets and sectors. Any discussion within an Equity Strategy report of specific securities is not intended to provide a fundamental analysis of any individual company described therein. The information provided in Equity Strategy reports is subject to change without notice, and investors should not expect continuing information or additional reports relating to any security described therein. Wells Fargo Securities' Signature Picks is a product of the Equity Strategy team and represents a portfolio of stocks selected from the Equity Research Department's universe of Overweight rated stocks. Stocks with this designation are selected by the Signature Picks Committee based on factors such as volatility, risks, market cap and liquidity and may not represent the fundamental analysts' top rated stock in their respective coverage universe. For research or other data available on a particular security, please contact your sales representative or go to <http://research.wellsfargosecurities.com>. For the purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. Each of Wells Fargo Securities, LLC, Wells Fargo Securities International Limited and Wells Fargo Securities Europe S.A. is a separate legal entity and distinct from affiliated banks. Copyright © 2021 Wells Fargo Securities, LLC

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE