UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO

Commission file number 001-33829

Keurig_Dr_Pepper_logo.jpg

Keurig Dr Pepper Inc.
(Exact name of registrant as specified in its charter)

Delaware	**98-0517725**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. employer identification number)*

53 South Avenue
Burlington, Massachusetts
01803
(Address of principal executive offices)
(781) 418-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	KDP	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.
Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐
Smaller Reporting Company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

As of October 22, 2024, there were 1,356,453,649 shares of the registrant's common stock, par value $0.01 per share, outstanding.

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MASTER GLOSSARY

Term	Definition
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2023
AOCI	Accumulated other comprehensive income or loss
Athletic Brewing	Athletic Brewing Holding Company, LLC, an equity method investment of KDP
Board	The Board of Directors of KDP
bps	Basis points
CEO	Chief Executive Officer
Chobani	FHU US Holdings LLC, an equity method investment of KDP
DIO	Days inventory outstanding
DPO	Days of payables outstanding
DPS	Dr Pepper Snapple Group, Inc.
DPS Merger	The combination of the business operations of Keurig and DPS as of July 9, 2018
DSD	Direct Store Delivery, KDP's route-to-market whereby finished beverages are delivered directly to retailers
DSO	Days sales outstanding
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FX	Foreign exchange
GHOST	GHOST Lifestyle LLC, a Delaware limited liability company
JAB	JAB Holding Company S.a.r.l. and affiliates
Kalil	Kalil Bottling Company
Kalil Acquisition	The acquisition of all production, sales, and distribution assets of Kalil by KDP on August 9, 2024
KDP	Keurig Dr Pepper Inc.
Keurig	Keurig Green Mountain, Inc., a wholly-owned subsidiary of KDP, and the brand of our brewers
LRB	Liquid refreshment beverages
Notes	Collectively, the Company's senior unsecured notes
Nutrabolt	Woodbolt Holdings LLC, d/b/a Nutrabolt, an equity method investment of KDP
Revolving Credit Agreement	KDP's $4 billion revolving credit agreement, which was executed in February 2022
RSU	Restricted share unit
Tractor	Tractor Beverages, Inc., an equity method investment of KDP
SEC	Securities and Exchange Commission
SG&A	Selling, general and administrative
SOFR	Secured Overnight Financing Rate
U.S. GAAP	Accounting principles generally accepted in the U.S.
Vita Coco	The Vita Coco Company, Inc.
WD	Warehouse Direct, KDP's route-to-market whereby finished beverages are shipped to retailer warehouses, and then delivered by the retailer through its own delivery system to its stores

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

KEURIG DR PEPPER INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(*UNAUDITED*)

(in millions, except per share data)	Third Quarter 2024	Third Quarter 2023	First Nine Months 2024	First Nine Months 2023
Net sales	**$ 3,891**	$ 3,805	**$ 11,281**	$ 10,947
Cost of sales	**1,751**	1,694	**5,029**	5,051
Gross profit	**2,140**	2,111	**6,252**	5,896
Selling, general and administrative expenses	**1,245**	1,217	**3,716**	3,654
Impairment of intangible assets	**—**	2	**—**	2
Other operating (income) expense, net	**(7)**	(4)	**8**	(9)
Income from operations	**902**	896	**2,528**	2,249
Interest expense, net	**106**	237	**488**	432
Other income, net	**(6)**	(5)	**(28)**	(41)
Income before provision for income taxes	**802**	664	**2,068**	1,858
Provision for income taxes	**186**	146	**483**	370
Net income	**$ 616**	$ 518	**$ 1,585**	$ 1,488
Earnings per common share:				
Basic	**$ 0.45**	$ 0.37	**$ 1.16**	$ 1.06
Diluted	**0.45**	0.37	**1.16**	1.05
Weighted average common shares outstanding:				
Basic	**1,356.2**	1,397.4	**1,364.2**	1,401.3
Diluted	**1,361.9**	1,406.2	**1,370.4**	1,410.8

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

KEURIG DR PEPPER INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(*UNAUDITED*)

(in millions)	Third Quarter 2024	Third Quarter 2023	First Nine Months 2024	First Nine Months 2023
Net income	**$ 616**	$ 518	**$ 1,585**	$ 1,488
Other comprehensive (loss) income:				
Foreign currency translation adjustments	**(69)**	(135)	**(326)**	132
Net change in cash flow hedges, net of tax of $2, $—, $3 and $24, respectively	**6**	9	**25**	(90)
Total other comprehensive (loss) income	**(63)**	(126)	**(301)**	42
Comprehensive income	**$ 553**	$ 392	**$ 1,284**	$ 1,530

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

KEURIG DR PEPPER INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(*UNAUDITED*)

(in millions, except share and per share data)	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	**$ 552**	$ 267
Restricted cash and restricted cash equivalents	**8**	—
Trade accounts receivable, net	**1,448**	1,368
Inventories	**1,351**	1,142
Prepaid expenses and other current assets	**743**	598
Total current assets	**4,102**	3,375
Property, plant, and equipment, net	**2,794**	2,699
Investments in unconsolidated affiliates	**1,492**	1,387
Goodwill	**20,078**	20,202
Other intangible assets, net	**23,072**	23,287
Other non-current assets	**1,139**	1,149
Deferred tax assets	**41**	31
Total assets	**$ 52,718**	$ 52,130
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 3,133**	$ 3,597
Accrued expenses	**1,288**	1,242
Structured payables	**70**	117
Short-term borrowings and current portion of long-term obligations	**2,472**	3,246
Other current liabilities	**736**	714
Total current liabilities	**7,699**	8,916
Long-term obligations	**12,413**	9,945
Deferred tax liabilities	**5,736**	5,760
Other non-current liabilities	**1,901**	1,833
Total liabilities	**27,749**	26,454
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 15,000,000 shares authorized, no shares issued	**—**	—
Common stock, $0.01 par value, 2,000,000,000 shares authorized, 1,356,443,009 and 1,390,446,043 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	**14**	14
Additional paid-in capital	**19,692**	20,788
Retained earnings	**5,249**	4,559
Accumulated other comprehensive income	**14**	315
Total stockholders' equity	**24,969**	25,676
Total liabilities and stockholders' equity	**$ 52,718**	$ 52,130

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

KEURIG DR PEPPER INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(*UNAUDITED*)

(in millions)	First Nine Months 2024	First Nine Months 2023
Operating activities:		
Net income	**$ 1,585**	$ 1,488
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	**310**	299
Amortization of intangibles	**100**	103
Other amortization expense	**140**	136
Provision for sales returns	**50**	42
Deferred income taxes	**21**	(22)
Employee stock-based compensation expense	**76**	86
Loss (gain) on disposal of property, plant and equipment	**19**	(3)
Unrealized loss (gain) on foreign currency	**14**	(4)
Unrealized loss on derivatives	**23**	44
Settlements of interest rate contracts	**—**	54
Equity in earnings of unconsolidated affiliates	**(22)**	(24)
Earned equity from distribution arrangements	**(64)**	(2)
Impairment of intangible assets	**—**	2
Other, net	**9**	(3)
Changes in assets and liabilities:		
Trade accounts receivable	**(148)**	170
Inventories	**(220)**	(31)
Income taxes receivable and payables, net	**(7)**	(39)
Other current and non-current assets	**(204)**	(159)
Accounts payable and accrued expenses	**(275)**	(1,155)
Other current and non-current liabilities	**(37)**	50
Net change in operating assets and liabilities	**(891)**	(1,164)
Net cash provided by operating activities	**1,370**	1,032
Investing activities:		
Acquisitions of businesses	**(85)**	—
Purchases of property, plant and equipment	**(398)**	(271)
Proceeds from sales of property, plant and equipment	**1**	9
Purchases of intangibles	**(49)**	(55)
Investments in unconsolidated affiliates	**(7)**	(308)
Other, net	**—**	2
Net cash used in investing activities	**$ (538)**	$ (623)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

KEURIG DR PEPPER INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, CONTINUED)

(in millions)	First Nine Months 2024	First Nine Months 2023
Financing activities:		
Proceeds from issuance of Notes	**$ 3,000**	$ —
Repayments of Notes	**(1,150)**	—
Net (repayment) issuance of commercial paper	**(153)**	750
Proceeds from structured payables	**39**	91
Repayments of structured payables	**(89)**	(105)
Cash dividends paid	**(883)**	(842)
Repurchases of common stock	**(1,105)**	(457)
Tax withholdings related to net share settlements	**(58)**	(57)
Payments on finance leases	**(83)**	(74)
Other, net	**(22)**	(3)
Net cash used in financing activities	**(504)**	(697)
Cash, cash equivalents, restricted cash, and restricted cash equivalents:		
Net change from operating, investing and financing activities	**328**	(288)
Effect of exchange rate changes	**(35)**	13
Beginning balance	**267**	535
Ending balance	**$ 560**	$ 260
Supplemental cash flow disclosures of non-cash investing activities:		
Capital expenditures included in accounts payable and accrued expenses	**$ 164**	$ 196
Earned equity from distribution arrangements	**64**	2
Equity received in exchange for modification of related party contract	**19**	—
Acquisitions of businesses	**18**	—
Transaction costs included in accounts payable and accrued expenses	**—**	13
Supplemental cash flow disclosures of non-cash financing activities:		
Dividends declared but not yet paid	**311**	300
Accrued excise tax on net share repurchases	**14**	3
Supplemental cash flow disclosures:		
Cash paid for interest	**308**	255
Cash paid for income taxes	**246**	413

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

KEURIG DR PEPPER INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(*UNAUDITED*)

(in millions, except per share data)	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of January 1, 2024	1,390.4	$ 14	$ 20,788	$ 4,559	$ 315	$ 25,676
Net income	—	—	—	454	—	454
Other comprehensive loss	—	—	—	—	(58)	(58)
Dividends declared, $0.215 per share	—	—	—	(292)	—	(292)
Repurchases of common stock, inclusive of excise tax obligation	(38.0)	—	(1,114)	—	—	(1,114)
Shares issued under employee stock-based compensation plans and other	3.2	—	—	—	—	—
Tax withholdings related to net share settlements	—	—	(41)	—	—	(41)
Stock-based compensation and stock options exercised	—	—	28	—	—	28
Balance as of March 31, 2024	1,355.6	$ 14	$ 19,661	$ 4,721	$ 257	$ 24,653
Net income	—	—	—	515	—	515
Other comprehensive loss	—	—	—	—	(180)	(180)
Dividends declared, $0.215 per share	—	—	—	(292)	—	(292)
Shares issued under employee stock-based compensation plans and other	0.2	—	—	—	—	—
Tax withholdings related to net share settlements	—	—	(2)	—	—	(2)
Stock-based compensation and stock options exercised	—	—	24	—	—	24
Balance as of June 30, 2024	1,355.8	$ 14	$ 19,683	$ 4,944	$ 77	$ 24,718
Net income	—	—	—	616	—	616
Other comprehensive loss	—	—	—	—	(63)	(63)
Dividends declared, $0.23 per share	—	—	—	(311)	—	(311)
Shares issued under employee stock-based compensation plans and other	0.6	—	—	—	—	—
Tax withholdings related to net share settlements	—	—	(15)	—	—	(15)
Stock-based compensation and stock options exercised	—	—	24	—	—	24
Balance as of September 30, 2024	1,356.4	$ 14	$ 19,692	$ 5,249	$ 14	$ 24,969

(in millions, except per share data)	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance as of January 1, 2023	1,408.4	$ 14	$ 21,444	$ 3,539	$ 129	$ 25,126	$ (1)	$ 25,125
Net income	—	—	—	467	—	467	—	467
Other comprehensive income	—	—	—	—	26	26		26
Dividends declared, $0.20 per share	—	—	—	(282)	—	(282)	—	(282)
Repurchases of common stock, inclusive of excise tax obligation	(6.6)	—	(232)	—	—	(232)	—	(232)
Shares issued under employee stock-based compensation plans and other	1.9	—	—	—	—	—	—	—
Tax withholdings related to net share settlements	—	—	(31)	—	—	(31)	—	(31)
Stock-based compensation and stock options exercised	—	—	29	—	—	29	—	29
Balance as of March 31, 2023	1,403.7	$ 14	$ 21,210	$ 3,724	$ 155	$ 25,103	$ (1)	$ 25,102
Net income	—	—	—	503	—	503	—	503
Other comprehensive income	—	—	—	—	142	142	—	142
Dividends declared, $0.20 per share	—	—	—	(279)	—	(279)	—	(279)
Repurchases of common stock, inclusive of excise tax obligation	(7.0)	—	(229)	—	—	(229)	—	(229)
Shares issued under employee stock-based compensation plans and other	0.2	—	—	—	—	—	—	—
Tax withholdings related to net share settlements	—	—	(1)	—	—	(1)	—	(1)
Stock-based compensation and stock options exercised	—	—	29	—	—	29	—	29
Balance as of June 30, 2023	1,396.9	$ 14	$ 21,009	$ 3,948	$ 297	$ 25,268	$ (1)	$ 25,267
Net income	—	—	—	518	—	518	—	518
Other comprehensive loss	—	—	—	—	(126)	(126)	—	(126)
Dividends declared, $0.215 per share	—	—	—	(300)	—	(300)	—	(300)
Repurchases of common stock, inclusive of excise tax obligation	—	—	1	—	—	1	—	1
Shares issued under employee stock-based compensation plans and other	1.4	—	—	—	—	—	—	—
Tax withholdings related to net share settlements	—	—	(25)	—	—	(25)	—	(25)
Stock-based compensation and stock options exercised	—	—	29	—	—	29	—	29
Non-controlling interest surrender of shares	—	—	—	(1)	—	(1)	1	—
Balance as of September 30, 2023	1,398.3	$ 14	$ 21,014	$ 4,165	$ 171	$ 25,364	$ —	$ 25,364

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

1. General

ORGANIZATION

References in this Quarterly Report on Form 10-Q to "KDP", "the Company", "we", or "our", refer to Keurig Dr Pepper Inc. and all wholly-owned subsidiaries included in the unaudited condensed consolidated financial statements. Definitions of terms used in this Quarterly Report on Form 10-Q are included within the Master Glossary.

This Quarterly Report on Form 10-Q refers to some of our owned or licensed trademarks, trade names and service marks, which are referred to as our brands. All of the product names included herein are either KDP registered trademarks or those of our licensors.

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and accompanying notes included in our Annual Report.

References to the "third quarter" indicate the quarterly periods ended September 30, 2024 and 2023.

USE OF ESTIMATES

The process of preparing our unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and judgments that affect reported amounts. These estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. These estimates and judgments are reviewed on an ongoing basis and are revised when necessary. Changes in estimates are recorded in the period of change. Actual amounts may differ from these estimates.

2. Long-term Obligations and Borrowing Arrangements

The following table summarizes our long-term obligations:

(in millions)	September 30, 2024	December 31, 2023
Notes	**$ 12,942**	$ 11,095
Less: current portion of long-term obligations	**(529)**	(1,150)
Long-term obligations	**$ 12,413**	$ 9,945

The following table summarizes our short-term borrowings and current portion of long-term obligations:

(in millions)	September 30, 2024	December 31, 2023
Commercial paper notes	**$ 1,943**	$ 2,096
Current portion of long-term obligations	**529**	1,150
Short-term borrowings and current portion of long-term obligations	**$ 2,472**	$ 3,246

SENIOR UNSECURED NOTES

Our Notes consisted of the following:

(in millions, except %)	Maturity Date	Rate	September 30, 2024	December 31, 2023
2024 Notes	March 15, 2024	0.750%	**$ —**	$ 1,150
2025 Merger Notes	May 25, 2025	4.417%	**529**	529
2025 Notes	November 15, 2025	3.400%	**500**	500
2026 Notes	September 15, 2026	2.550%	**400**	400
2027-B Notes	March 15, 2027	Floating(2)	**350**	—
2027-C Notes	March 15, 2027	5.100%	**750**	—
2027 Notes	June 15, 2027	3.430%	**500**	500
2028 Merger Notes	May 25, 2028	4.597%	**1,112**	1,112
2029-B Notes	March 15, 2029	5.050%	**750**	—
2029 Notes	April 15, 2029	3.950%	**1,000**	1,000
2030 Notes	May 1, 2030	3.200%	**750**	750
2031 Notes	March 15, 2031	2.250%	**500**	500
2031-B Notes	March 15, 2031	5.200%	**500**	—
2032 Notes	April 15, 2032	4.050%	**850**	850
2034 Notes	March 15, 2034	5.300%	**650**	—
2038 Merger Notes	May 25, 2038	4.985%	**211**	211
2045 Notes	November 15, 2045	4.500%	**550**	550
2046 Notes	December 15, 2046	4.420%	**400**	400
2048 Merger Notes	May 25, 2048	5.085%	**391**	391
2050 Notes	May 1, 2050	3.800%	**750**	750
2051 Notes	March 15, 2051	3.350%	**500**	500
2052 Notes	April 15, 2052	4.500%	**1,150**	1,150
Principal amount			**13,093**	11,243
Adjustment from principal amount to carrying amount(1)			**(151)**	(148)
Carrying amount			**$ 12,942**	$ 11,095

(1) The carrying amount includes unamortized discounts, debt issuance costs and fair value adjustments related to the DPS Merger.

(2) The 2027-B Notes bear interest at a rate equal to Compounded SOFR (as defined in the respective indenture) plus 0.88% per annum, and the rate is reassessed quarterly.

On March 7, 2024, we completed the issuance of the 2027-B Notes, the 2027-C Notes, the 2029-B Notes, the 2031-B Notes, and the 2034 Notes, with an aggregate principal amount of $3 billion. The discount associated with these notes was approximately $5 million, and the Company incurred $16 million in debt issuance costs. The proceeds from the issuance were used for our share repurchase program, to repay outstanding commercial paper, and to repay the 2024 Notes at maturity, with the remainder intended for general corporate purposes.

VARIABLE-RATE BORROWING ARRANGEMENTS

Revolving Credit Agreement

The following table summarizes information about the Revolving Credit Agreement:

			Amounts Outstanding	
(in millions)	Maturity Date	Capacity	September 30, 2024	December 31, 2023
Revolving Credit Agreement[(1)]	February 23, 2027	**$ 4,000**	**$ —**	$ —

(1) The Revolving Credit Agreement has $200 million letters of credit available, none of which were utilized as of September 30, 2024.

As of September 30, 2024, KDP was in compliance with its minimum interest coverage ratio relating to the Revolving Credit Agreement.

Commercial Paper Program

The following table provides information about our weighted average borrowings under our commercial paper program:

	Third Quarter		First Nine Months	
(in millions, except %)	2024	2023	2024	2023
Weighted average commercial paper borrowings	**$ 2,163**	$ 1,495	**$ 2,299**	$ 1,061
Weighted average borrowing rates	**5.50 %**	5.49 %	**5.57 %**	5.31 %

Letter of Credit Facility

In addition to the portion of the Revolving Credit Agreement reserved for issuance of letters of credit, KDP has an incremental letter of credit facility. Under this facility, $150 million is available for the issuance of letters of credit, $74 million of which was utilized as of September 30, 2024 and $76 million of which remains available for use.

FAIR VALUE DISCLOSURES

The fair value of our commercial paper approximates the carrying value and is considered Level 2 within the fair value hierarchy.

The fair values of our Notes are based on current market rates available to us and are considered Level 2 within the fair value hierarchy. The difference between the fair value and the carrying value represents the theoretical net premium or discount that would be paid or received to retire all the Notes and related unamortized costs to be incurred at such date. The fair value of our Notes was $12,531 million and $10,486 million as of September 30, 2024 and December 31, 2023, respectively.

3. Acquisition

KALIL ACQUISITION

Overview and Purchase Price

On May 30, 2024, we entered into an agreement with Kalil, under which we agreed to acquire all of Kalil's production, sales, and distribution assets for total consideration of $103 million, subject to certain adjustments outlined in the agreement. Kalil is an independent bottler with bottling and distribution rights in Arizona to key KDP brands, including Canada Dry, 7UP, A&W, Snapple, and Core Hydration. On August 9, 2024, we completed the Kalil Acquisition, and approximately $8 million of cash was held back and placed in escrow.

Allocation of Consideration Exchanged

Our preliminary allocation of consideration exchanged to the net tangible and intangible assets acquired and liabilities assumed in the Kalil Acquisition is based on estimated fair values as of August 9, 2024. The following is a summary of the preliminary allocation of consideration exchanged to the estimated fair values of assets acquired and liabilities assumed in the Kalil Acquisition as of September 30, 2024:

(in millions)	Fair Value
Inventory[(1)]	**$ 10**
Property, plant, and equipment[(2)]	**45**
Other intangible assets	**38**
Goodwill	**10**
Total consideration exchanged	**103**
Less: Holdback placed in Escrow[(3)]	**(8)**
Acquisition of business	**$ 95**

(1) As of September 30, 2024, we accrued the $10 million as a payable to Kalil, which is included as a non-cash investing activity within the supplemental cash flow disclosures of the unaudited condensed consolidated statement of cash flows for the first nine months of 2024.

(2) We preliminarily valued real property using the cost approach and land using the sales comparison approach, a form of the market approach. We preliminarily valued personal property using a combination of the cost approach and the sales comparison approach.

(3) The amount held in escrow is included within the Restricted cash and restricted cash equivalents line of the unaudited condensed consolidated balance sheet as of September 30, 2024 and is considered a non-cash investing activity within the supplemental cash flow disclosures of the unaudited condensed consolidated statement of cash flows for the first nine months of 2024.

The Kalil Acquisition preliminarily resulted in $10 million of goodwill. The preliminary goodwill to be recognized is primarily attributable to the assembled workforce. The goodwill created in the Kalil Acquisition is expected to be deductible for tax purposes.

4. Goodwill and Other Intangible Assets

GOODWILL

Changes in the carrying amount of goodwill by reportable segment are as follows:

(in millions)	U.S. Refreshment Beverages	U.S. Coffee	International	Total
Balance as of January 1, 2024	$ 8,714	$ 8,622	$ 2,866	$ 20,202
Acquisitions[(1)]	**10**	**—**	**—**	**10**
Foreign currency translation	**—**	**—**	**(134)**	**(134)**
Balance as of September 30, 2024	**$ 8,724**	**$ 8,622**	**$ 2,732**	**$ 20,078**

(1) Acquisition activity during the first nine months of 2024 represents the goodwill recorded as a result of the Kalil Acquisition. Refer to Note 3 for additional information.

INTANGIBLE ASSETS OTHER THAN GOODWILL

The net carrying amounts of intangible assets other than goodwill with indefinite lives are as follows:

(in millions)	September 30, 2024	December 31, 2023
Brands[(1)]	**$ 19,280**	$ 19,476
Trade names	**2,479**	2,478
Distribution rights[(2)]	**229**	155
Total	**$ 21,988**	$ 22,109

(1) The change in brands with indefinite lives was driven by unfavorable foreign currency translation impacts of $196 million during the first nine months of 2024.

(2) The change in distribution rights with indefinite lives was primarily driven by acquired distribution rights related to Electrolit of $49 million.

The net carrying amounts of intangible assets other than goodwill with definite lives are as follows:

	September 30, 2024			December 31, 2023		
(in millions)	**Gross Amount**	**Accumulated Amortization**	**Net Amount**	**Gross Amount**	**Accumulated Amortization**	**Net Amount**
Acquired technology	**$ 1,146**	**$ (603)**	**$ 543**	$ 1,146	$ (548)	$ 598
Customer relationships	**645**	**(261)**	**384**	638	(236)	402
Contractual arrangements	**145**	**(19)**	**126**	146	(13)	133
Trade names	**126**	**(122)**	**4**	126	(114)	12
Brands	**51**	**(30)**	**21**	51	(25)	26
Distribution rights	**29**	**(23)**	**6**	29	(22)	7
Total	**$ 2,142**	**$ (1,058)**	**$ 1,084**	$ 2,136	$ (958)	$ 1,178

Amortization expense for intangible assets with definite lives was as follows:

	Third Quarter		First Nine Months	
(in millions)	**2024**	**2023**	**2024**	**2023**
Amortization expense	**$ 33**	$ 34	**$ 100**	$ 103

5. Derivatives

KDP is exposed to market risks arising from adverse changes in interest rates, commodity prices, and FX rates. KDP manages these risks through a variety of strategies, including the use of interest rate contracts, FX forward contracts, commodity forward, future, swap and option contracts and supplier pricing agreements. KDP does not hold or issue derivative financial instruments for trading or speculative purposes.

We formally designate and account for certain foreign exchange forward contracts and interest rate contracts that meet established accounting criteria under U.S. GAAP as cash flow hedges. For such contracts, the effective portion of the gain or loss on the derivative instruments is recorded, net of applicable taxes, in AOCI. When net income is affected by the variability of the underlying transaction, the applicable offsetting amount of the gain or loss from the derivative instrument deferred in AOCI is reclassified to net income. Cash flows from derivative instruments designated in a qualifying hedging relationship are classified in the same category as the cash flows from the hedged items. If a cash flow hedge were to cease to qualify for hedge accounting, or were terminated, the derivatives would continue to be carried on the balance sheet at fair value until settled, and hedge accounting would be discontinued prospectively. If the underlying hedged transaction ceases to exist, any associated amounts reported in AOCI would be reclassified to earnings at that time.

For derivatives that are not designated or for which the designated hedging relationship is discontinued, the gain or loss on the instrument is recognized in earnings in the period of change.

We have exposure to credit losses from derivative instruments in an asset position in the event of nonperformance by the counterparties to the agreements. Historically, we have not experienced material credit losses as a result of counterparty nonperformance. We select and periodically review counterparties based on credit ratings, limit our exposure to a single counterparty under defined guidelines, and monitor the market position of the programs upon execution of a hedging transaction and at least on a quarterly basis.

INTEREST RATES

Economic Hedges

We are exposed to interest rate risk related to our borrowing arrangements and obligations. We enter into interest rate contracts to provide predictability in our overall cost structure and to manage the balance of fixed-rate and variable-rate debt. We primarily enter into receive-fixed, pay-variable and receive-variable, pay-fixed swaps and swaption contracts. A natural hedging relationship exists in which changes in the fair value of the instruments act as an economic offset to changes in the fair value of the underlying items. Changes in the fair value of these instruments are recorded in earnings throughout the term of the derivative instrument and are generally reported in interest expense in the unaudited Condensed Consolidated Statements of Income. As of September 30, 2024, economic interest rate derivative instruments have maturities ranging from December 2024 to July 2043.

Cash Flow Hedges

As of December 31, 2023, we had $500 million of notional amount of forward starting swaps which had been de-designated and terminated; however, as the forecasted debt transaction was still considered probable, the fair value of the instruments as of the de-designation remained within AOCI. In March 2024, the forecasted debt transaction took place with the issuance of the 2034 Notes, and the fair value of the instruments began amortizing to Interest expense, net over the term of the 2034 Notes.

FOREIGN EXCHANGE

We are exposed to foreign exchange risk in our international subsidiaries or with certain counterparties in foreign jurisdictions, which may transact in currencies that are different from the functional currencies of our legal entities. Additionally, the balance sheets of our Canadian and Mexican businesses are subject to exposure from movements in exchange rates.

Economic Hedges

We hold FX forward contracts to economically manage the balance sheet exposures resulting from changes in the FX rates described above. The intent of these FX contracts is to minimize the impact of FX risk associated with balance sheet positions not in local currency. In these cases, a hedging relationship exists in which changes in the fair value of the instruments act as an economic offset to changes in the fair value of the underlying items. Changes in the fair value of these instruments are recorded in earnings throughout the term of the derivative instrument and are reported in the same caption of the unaudited Condensed Consolidated Statements of Income as the associated risk. As of September 30, 2024, these FX contracts have maturities ranging from October 2024 to September 2026.

Cash Flow Hedges

We designate certain FX forward contracts as cash flow hedges in order to manage the exposures resulting from changes in the FX rates described above. These designated FX forward contracts relate to forecasted inventory purchases in U.S. dollars of our Canadian and Mexican businesses. The intent of these FX contracts is to provide predictability in the Company's overall cost structure. As of September 30, 2024, these FX contracts have maturities ranging from October 2024 to December 2025.

COMMODITIES

Economic Hedges

We centrally manage the exposure to volatility in the prices of certain commodities used in our production process and transportation through various derivative contracts. We generally hold some combination of future, swap and option contracts that economically hedge certain of our risks. In these cases, a hedging relationship exists in which changes in the fair value of the instruments act as an economic offset to changes in the fair value of the underlying items or as an offset to certain costs of production. Changes in the fair value of these instruments are recorded in earnings throughout the term of the derivative instrument and are reported in the same line item of the unaudited Condensed Consolidated Statements of Income as the hedged transaction. Unrealized gains and losses are recognized as a component of unallocated corporate costs until our reportable segments are affected by the completion of the underlying transaction, at which time the gain or loss is reflected as a component of the respective segment's income from operations. As of September 30, 2024, these commodity contracts have maturities ranging from October 2024 to July 2026.

NOTIONAL AMOUNTS OF DERIVATIVE INSTRUMENTS

The following table presents the notional amounts of our outstanding derivative instruments by type:

(in millions)	September 30, 2024	December 31, 2023
Interest rate contracts		
Forward starting swaps, not designated as hedging instruments	**$ 2,200**	$ 1,700
Swaptions, not designated as hedging instruments	**1,350**	3,200
FX contracts		
Forward contracts, not designated as hedging instruments	**599**	710
Forward contracts, designated as cash flow hedges	**544**	425
Commodity contracts, not designated as hedging instruments[(1)]	**458**	500

(1) Notional value for commodity contracts is calculated as the expected volume times strike price per unit on a gross basis.

FAIR VALUE OF DERIVATIVE INSTRUMENTS

The fair values of commodity contracts, interest rate contracts and FX forward contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. The fair value of commodity contracts are valued using the market approach based on observable market transactions, primarily underlying commodities futures or physical index prices, at the reporting date. Interest rate contracts are valued using models based primarily on readily observable market parameters, such as SOFR forward rates, for all substantial terms of our contracts and credit risk of the counterparties. The fair value of FX forward contracts are valued using quoted forward FX prices at the reporting date. Therefore, we have categorized these contracts as Level 2.

Not Designated as Hedging Instruments

The following table summarizes the location of the fair value of our derivative instruments which are not designated as hedging instruments within the unaudited Condensed Consolidated Balance Sheets. All such instruments are considered Level 2 within the fair value hierarchy.

(in millions)	Balance Sheet Location	September 30, 2024	December 31, 2023
Assets:			
FX contracts	Prepaid expenses and other current assets	**$ 1**	$ 5
Commodity contracts	Prepaid expenses and other current assets	**16**	9
Commodity contracts	Other non-current assets	**3**	3
Liabilities:			
Interest rate contracts	Other current liabilities	**33**	80
FX contracts	Other current liabilities	**2**	3
Commodity contracts	Other current liabilities	**75**	53
Interest rate contracts	Other non-current liabilities	**245**	186
FX contracts	Other non-current liabilities	**1**	4
Commodity contracts	Other non-current liabilities	**5**	11

Designated as Hedging Instruments

The following table summarizes the location of the fair value of our derivative instruments which are designated as hedging instruments within the unaudited Condensed Consolidated Balance Sheets. All such instruments are designated Level 2 within the fair value hierarchy.

(in millions)	Balance Sheet Location	September 30, 2024	December 31, 2023
Assets:			
FX contracts	Prepaid expenses and other current assets	**$ 16**	$ 1
FX contracts	Other non-current assets	**4**	—
Liabilities:			
FX contracts	Other current liabilities	**2**	14
FX contracts	Other non-current liabilities	**1**	—

IMPACT OF DERIVATIVE INSTRUMENTS NOT DESIGNATED AS HEDGING INSTRUMENTS

The following table presents the amount of (gains) losses, net, recognized in the unaudited Condensed Consolidated Statements of Income related to derivative instruments not designated as hedging instruments under U.S. GAAP during the periods presented. Amounts include both realized and unrealized gains and losses.

		Third Quarter		First Nine Months	
(in millions)	Income Statement Location	2024	2023	2024	2023
Interest rate contracts	Interest expense, net	**$ (66)**	$ 104	**$ (14)**	$ 49
FX contracts	Cost of sales	**(2)**	(4)	**(4)**	(4)
FX contracts	Other income, net	**6**	(6)	**(2)**	(1)
Commodity contracts	Cost of sales	**7**	(7)	**29**	2
Commodity contracts	SG&A expenses	**20**	(20)	**11**	(2)

IMPACT OF CASH FLOW HEDGES

The following table presents the amount of (gains) losses, net, reclassified from AOCI into the unaudited Condensed Consolidated Statements of Income related to derivative instruments designated as cash flow hedging instruments during the periods presented:

		Third Quarter		First Nine Months	
(in millions)	Income Statement Location	2024	2023	2024	2023
Interest rate contracts	Interest expense, net	**$ (3)**	$ (2)	**$ (9)**	$ (72)
FX contracts	Cost of sales	**(1)**	4	**1**	(1)

We expect to reclassify approximately $13 million and $16 million of pre-tax net gains from AOCI into net income during the next twelve months related to interest rate contracts and FX contracts, respectively.

6. Leases

The following table presents the components of lease cost:

(in millions)	Third Quarter 2024	Third Quarter 2023	First Nine Months 2024	First Nine Months 2023
Operating lease cost	**$ 42**	$ 40	**$ 127**	$ 118
Finance lease cost				
Amortization of right-of-use assets	**33**	21	**93**	60
Interest on lease liabilities	**8**	6	**22**	18
Variable lease cost[1]	**9**	10	**29**	30
Short-term lease cost	**1**	1	**2**	1
Sublease income	**(1)**	—	**(1)**	—
Total lease cost	**$ 92**	$ 78	**$ 272**	$ 227

(1) Variable lease cost primarily consists of common area maintenance costs, property taxes, and adjustments for inflation.

The following table presents supplemental cash flow and other information about our leases:

(in millions)	First Nine Months 2024	First Nine Months 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 121**	$ 110
Operating cash flows from finance leases	**22**	18
Financing cash flows from finance leases	**83**	74
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**60**	78
Finance leases	**128**	75

The following table presents information about our weighted average discount rate and remaining lease term:

	September 30, 2024	December 31, 2023
Weighted average discount rate		
Operating leases	**5.3 %**	5.3 %
Finance leases	**4.4 %**	3.9 %
Weighted average remaining lease term		
Operating leases	**9 years**	10 years
Finance leases	**9 years**	9 years

Future minimum lease payments for non-cancellable leases that have commenced and are reflected on the unaudited Condensed Consolidated Balance Sheets as of September 30, 2024 were as follows:

(in millions)	Operating Leases	Finance Leases
Remainder of 2024	$ 28	$ 36
2025	161	145
2026	149	182
2027	126	92
2028	97	81
2029	91	78
Thereafter	460	313
Total future minimum lease payments	1,112	927
Less: imputed interest	(233)	(160)
Present value of minimum lease payments	$ 879	$ 767

SIGNIFICANT LEASES THAT HAVE NOT YET COMMENCED

As of September 30, 2024, we have entered into leases that have not yet commenced with estimated aggregated future lease payments of approximately $227 million. These leases are expected to commence between the fourth quarter of 2024 through 2027, with initial lease terms ranging from 5 years to 11 years.

7. Segments

Our operating and reportable segments consist of the following:

- The U.S. Refreshment Beverages segment reflects sales in the U.S. from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including the sales of our own brands and third-party brands, to third-party bottlers, distributors, and retailers.
- The U.S. Coffee segment reflects sales in the U.S. from the manufacture and distribution of finished goods relating to our K-Cup pods, single-serve brewers and accessories, and other coffee products to partners, retailers, and directly to consumers through the Keurig.com website.
- The International segment reflects sales in international markets, including the following:
  - Sales in Canada, Mexico, the Caribbean, and other international markets from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including sales of our own brands and third-party brands, to third-party bottlers, distributors, and retailers.
  - Sales in Canada from the manufacture and distribution of finished goods relating to our single-serve brewers, K-Cup pods, and other coffee products.

Segment results are based on management reports. Net sales and income from operations are the significant financial measures used to assess the operating performance of our operating segments. Intersegment sales are recorded at cost and are eliminated in the unaudited Condensed Consolidated Statements of Income. “Unallocated corporate costs” are excluded from our measurement of segment performance and include unrealized commodity derivative gains and losses, and certain general corporate expenses.

Information about our operations by reportable segment is as follows:

	Third Quarter		First Nine Months	
(in millions)	2024	2023	2024	2023
Segment Results – Net sales				
U.S. Refreshment Beverages	**$ 2,390**	$ 2,270	**$ 6,890**	$ 6,607
U.S. Coffee	**976**	1,012	**2,837**	2,913
International	**525**	523	**1,554**	1,427
Net sales	**$ 3,891**	$ 3,805	**$ 11,281**	$ 10,947
Segment Results – Income from operations				
U.S. Refreshment Beverages	**$ 722**	$ 676	**$ 2,054**	$ 1,795
U.S. Coffee	**254**	293	**730**	775
International	**157**	139	**419**	331
Unallocated corporate costs	**(231)**	(212)	**(675)**	(652)
Income from operations	**$ 902**	$ 896	**$ 2,528**	$ 2,249

8. Revenue Recognition

We recognize revenue when obligations under the terms of a contract with the customer are satisfied. Branded product sales, which include LRB, K-Cup pods and appliances, occur once control is transferred. Revenue is measured as the amount of consideration that we expect to receive in exchange for transferring goods. The amount of consideration we receive, and revenue we recognize, varies with changes in customer incentives that we offer our customers and end consumers. Sales taxes and other similar taxes are excluded from revenue. Costs associated with shipping and handling activities, such as merchandising, are included in SG&A expenses as revenue is recognized.

The following table disaggregates our revenue by product portfolio and by reportable segment:

(in millions)	U.S. Refreshment Beverages	U.S. Coffee	International	Total
For the third quarter of 2024:				
LRB	**$ 2,351**	**$ 12**	**$ 348**	**$ 2,711**
K-Cup pods	**—**	**733**	**126**	**859**
Appliances	**—**	**203**	**19**	**222**
Other	**39**	**28**	**32**	**99**
Net sales	**$ 2,390**	**$ 976**	**$ 525**	**$ 3,891**
For the third quarter of 2023:				
LRB	$ 2,232	$ —	$ 348	$ 2,580
K-Cup pods	—	769	120	889
Appliances	—	211	20	231
Other	38	32	35	105
Net sales	$ 2,270	$ 1,012	$ 523	$ 3,805
For the first nine months of 2024:				
LRB	**$ 6,785**	**$ 26**	**$ 1,041**	**$ 7,852**
K-Cup pods	**—**	**2,225**	**359**	**2,584**
Appliances	**—**	**496**	**49**	**545**
Other	**105**	**90**	**105**	**300**
Net sales	**$ 6,890**	**$ 2,837**	**$ 1,554**	**$ 11,281**
For the first nine months of 2023:				
LRB	$ 6,498	$ —	$ 932	$ 7,430
K-Cup pods	—	2,301	345	2,646
Appliances	—	512	46	558
Other	109	100	104	313
Net sales	$ 6,607	$ 2,913	$ 1,427	$ 10,947

LRB represents net sales of owned, licensed, and partner brands within our portfolio and includes branded concentrates, syrup, and finished beverages, including contract manufacturing of our branded products for our bottlers and distributors. K-Cup pods represents net sales from owned, licensed, and partner brands and private label owners. Net sales for partner brands and private label owners are contractual and long-term in nature.

9. Earnings Per Share

The following table presents basic and diluted EPS and shares outstanding:

	Third Quarter		First Nine Months	
(in millions, except per share data)	2024	2023	2024	2023
Net income	**$ 616**	$ 518	**$ 1,585**	$ 1,488
Weighted average common shares outstanding	**1,356.2**	1,397.4	**1,364.2**	1,401.3
Dilutive effect of stock-based awards	**5.7**	8.8	**6.2**	9.5
Weighted average common shares outstanding and common stock equivalents	**1,361.9**	1,406.2	**1,370.4**	1,410.8
Basic EPS	**$ 0.45**	$ 0.37	**$ 1.16**	$ 1.06
Diluted EPS	**0.45**	0.37	**1.16**	1.05
Anti-dilutive shares excluded from the diluted weighted average shares outstanding calculation	**0.8**	1.0	**0.8**	1.0

10. Stock-Based Compensation

The components of stock-based compensation expense are presented below:

	Third Quarter		First Nine Months	
(in millions)	2024	2023	2024	2023
Total stock-based compensation expense	**$ 24**	$ 29	**$ 76**	$ 86
Income tax benefit	**(4)**	(5)	**(12)**	(14)
Stock-based compensation expense, net of tax	**$ 20**	$ 24	**$ 64**	$ 72

RESTRICTED SHARE UNITS

The table below summarizes RSU activity:

	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2023	15,748,820	$ 29.42	1.7	$ 525
Granted	**4,248,100**	**26.63**		
Vested and released	**(5,829,906)**	**26.67**		**178**
Forfeited	**(1,251,163)**	**29.23**		
Outstanding as of September 30, 2024	**12,915,851**	**$ 29.77**	**2.2**	**$ 484**

As of September 30, 2024, there was $187 million of unrecognized compensation cost related to unvested RSUs that is expected to be recognized over a weighted average period of 3.3 years.

11. Investments

The following table summarizes our investments in unconsolidated affiliates:

(in millions)	September 30, 2024	December 31, 2023
Nutrabolt(1)	**$ 1,054**	$ 960
Chobani	**309**	307
Tractor(2)	**58**	44
Athletic Brewing	**47**	50
Beverage startup companies	**5**	5
Other	**19**	21
Investments in unconsolidated affiliates	**$ 1,492**	$ 1,387

(1) We hold a 35.0% interest on an as-converted basis in Nutrabolt, consisting of 31.4% in Class A preferred shares acquired through our December 2022 investment, which are treated as in-substance common stock, and 3.6% in Class B common shares earned through the achievement of certain milestones included in our distribution agreement with Nutrabolt.

(2) In May 2024, we modified our sales agent contract with Tractor. In exchange, we received additional equity interests, raising our total interest to 23.0% as of September 30, 2024.

12. Income Taxes

Our effective tax rates were as follows:

	Third Quarter		First Nine Months	
	2024	2023	2024	2023
Effective tax rate	**23.2 %**	22.0 %	**23.4 %**	19.9 %

For the first nine months of 2024, the change in our effective tax rate was driven by the unfavorable comparison to the prior year tax benefit received from a non-cash adjustment and a shift in the mix of income from lower tax jurisdictions to higher tax jurisdictions.

13. Accumulated Other Comprehensive Income

The following table provides a summary of changes in AOCI, net of taxes:

(in millions)	Foreign Currency Translation Adjustments	Pension and Post-Retirement Benefit Liabilities	Cash Flow Hedges	Accumulated Other Comprehensive Income
For the third quarter of 2024:				
Beginning balance	**$ (55)**	**$ (14)**	**$ 146**	**$ 77**
Other comprehensive (loss) income	**(69)**	**(1)**	**10**	**(60)**
Amounts reclassified from AOCI	**—**	**1**	**(4)**	**(3)**
Total other comprehensive (loss) income	**(69)**	**—**	**6**	**(63)**
Balance as of September 30, 2024	**$ (124)**	**$ (14)**	**$ 152**	**$ 14**
For the third quarter of 2023:				
Beginning balance	$ 181	$ (10)	$ 126	$ 297
Other comprehensive (loss) income	(135)	—	7	(128)
Amounts reclassified from AOCI	—	—	2	2
Total other comprehensive (loss) income	(135)	—	9	(126)
Balance as of September 30, 2023	$ 46	$ (10)	$ 135	$ 171
For the first nine months of 2024:				
Beginning balance	**$ 202**	**$ (14)**	**$ 127**	**$ 315**
Other comprehensive (loss) income	**(326)**	**(1)**	**32**	**(295)**
Amounts reclassified from AOCI	**—**	**1**	**(7)**	**(6)**
Total other comprehensive (loss) income	**(326)**	**—**	**25**	**(301)**
Balance as of September 30, 2024	**$ (124)**	**$ (14)**	**$ 152**	**$ 14**
For the first nine months of 2023:				
Beginning balance	$ (86)	$ (10)	$ 225	$ 129
Other comprehensive income (loss)	132	—	(34)	98
Amounts reclassified from AOCI	—	—	(56)	(56)
Total other comprehensive income (loss)	132	—	(90)	42
Balance as of September 30, 2023	$ 46	$ (10)	$ 135	$ 171

The following table presents the amount of (gains) losses reclassified from AOCI into the unaudited Condensed Consolidated Statements of Income:

		Third Quarter		First Nine Months	
(in millions)	Income Statement Caption	2024	2023	2024	2023
Pension and PRMB liabilities	SG&A expenses	**$ 1**	$ —	**$ 1**	$ —
Income tax benefit		**—**	—	**—**	—
Total, net of tax		**1**	—	**1**	—
Cash Flow Hedges:					
Interest rate contracts[1]	Interest expense	**$ (3)**	$ (2)	**$ (9)**	$ (72)
FX contracts	Cost of sales	**(1)**	4	**1**	(1)
Total		**(4)**	2	**(8)**	(73)
Income tax expense		**—**	—	**1**	17
Total, net of tax		**$ (4)**	$ 2	**$ (7)**	$ (56)

(1) Amounts reclassified from AOCI into interest expense during the first nine months of 2023 include the realized gains associated with the termination of forward starting swaps designated as cash flow hedges of approximately $66 million.

14. Other Financial Information

SELECTED BALANCE SHEET INFORMATION

The tables below provide selected financial information from the unaudited Condensed Consolidated Balance Sheets:

(in millions)	September 30, 2024	December 31, 2023
Inventories:		
Raw materials	**$ 536**	$ 409
Work-in-progress	**10**	12
Finished goods	**826**	742
Total	**1,372**	1,163
Allowance for excess and obsolete inventories	**(21)**	(21)
Total Inventories	**$ 1,351**	$ 1,142
Prepaid expenses and other current assets:		
Other receivables	**$ 152**	$ 135
Prepaid income taxes	**240**	196
Customer incentive programs	**49**	24
Derivative instruments	**33**	15
Prepaid marketing	**24**	20
Spare parts	**124**	111
Income tax receivable	**16**	16
Other	**105**	81
Total prepaid expenses and other current assets	**$ 743**	$ 598
Other non-current assets:		
Operating lease right-of-use assets	**$ 841**	$ 876
Customer incentive programs	**47**	45
Derivative instruments	**7**	3
Equity securities	**76**	69
Other	**168**	156
Total other non-current assets	**$ 1,139**	$ 1,149

Equity Securities

Fair values of equity securities are determined using quoted market prices from daily exchange traded markets, based on the closing price as of the balance sheet date, and are classified as Level 1. Unrealized mark-to-market gains and losses are recorded to Other income, net. The following table presents the amount of unrealized mark-to-market (gains) losses, net, on our equity securities recognized in the unaudited Condensed Consolidated Statements of Income related to these securities during the periods presented.

	Third Quarter		First Nine Months	
(in millions)	2024	2023	2024	2023
Unrealized mark-to-market (gains) losses				
Vita Coco	**$ (1)**	$ 1	**$ (4)**	$ (16)
Rabbi trust	**(2)**	1	**(4)**	(3)

(in millions)	September 30, 2024	December 31, 2023
Accrued expenses:		
Accrued customer trade	**$ 374**	$ 477
Accrued compensation	**198**	208
Insurance reserve	**66**	50
Accrued interest	**152**	72
Other accrued expenses	**498**	435
Total accrued expenses	**$ 1,288**	$ 1,242
Other current liabilities:		
Dividends payable	**$ 311**	$ 299
Income taxes payable	**65**	29
Operating lease liability	**121**	114
Finance lease liability	**112**	106
Derivative instruments	**112**	150
Other	**15**	16
Total other current liabilities	**$ 736**	$ 714
Other non-current liabilities:		
Operating lease liability	**$ 758**	$ 793
Finance lease liability	**655**	620
Pension and post-retirement liability	**31**	35
Insurance reserves	**90**	85
Derivative instruments	**252**	201
Deferred compensation liability	**33**	32
Other	**82**	67
Total other non-current liabilities	**$ 1,901**	$ 1,833

Accounts Payable

We have agreements with third party administrators which allow participating suppliers to track our payment obligations, and, if voluntarily elected by the supplier, to sell our payment obligations to financial institutions. Suppliers can sell one or more of our payment obligations, at their sole discretion, and our rights and obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted. We have no economic interest in a supplier's decision to enter into these agreements and no direct financial relationship with the financial institutions. Outstanding obligations confirmed as valid included in accounts payable as of September 30, 2024 and December 31, 2023 were $1,786 million and $2,389 million, respectively.

15. Commitments and Contingencies

KDP is occasionally subject to litigation or other legal proceedings. Reserves are recorded for specific legal proceedings when the Company determines that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. We had litigation reserves of $2 million and $12 million, respectively, as of September 30, 2024 and December 31, 2023. We have also identified certain other legal matters where we believe an unfavorable outcome is reasonably possible and/or for which no estimate of possible losses can be made. We do not believe that the outcome of these, or any other, pending legal matters, individually or collectively, will have a material adverse effect on our results of operations, financial condition, or liquidity.

ANTITRUST LITIGATION

In February 2014, TreeHouse Foods, Inc. and certain affiliated entities filed suit against KDP's wholly-owned subsidiary, Keurig (formerly known as Green Mountain Coffee Roasters, Inc.), in the U.S. District Court for the Southern District of New York ("SDNY") (TreeHouse Foods, Inc. et al. v. Green Mountain Coffee Roasters, Inc. et al.). The TreeHouse complaint asserted claims under the federal antitrust laws and various state laws, contending that Keurig had monopolized alleged markets for single serve coffee brewers and single serve coffee pods. The TreeHouse complaint sought treble monetary damages, declaratory relief, injunctive relief and attorneys' fees. In the months that followed, a number of additional actions, including claims from another coffee manufacturer (JBR, Inc.), as well as putative class actions on behalf of direct and indirect purchasers of Keurig's products, were filed in various federal district courts, asserting claims and seeking relief substantially similar to the claims asserted and relief sought in the TreeHouse complaint. Additional similar actions were filed by individual direct purchasers (including McLane Company, Inc., BJ's Wholesale Club, Inc., Winn-Dixie Stores Inc. and Bi-Lo Holding LLC) in 2019 and in 2021. All of these actions were transferred to the SDNY for coordinated pre-trial proceedings (In re: Keurig Green Mountain Single-Serve Coffee Antitrust Litigation) (the "Multidistrict Antitrust Litigation").

In July 2020, Keurig reached an agreement with one of the plaintiff groups in the Multidistrict Antitrust Litigation, the putative indirect purchaser class, to settle the claims asserted for $31 million. The settlement class consisted of individuals and entities in the United States that purchased, from persons other than Keurig and not for purposes of resale, Keurig manufactured or licensed single serve beverage portion packs during the applicable class period (beginning in September 2010 for most states). The settlement was approved and paid, and the indirect purchasers' claims have been dismissed.

Discovery in all remaining matters pending in the Multidistrict Antitrust Litigation is concluded, with the plaintiffs collectively claiming more than $5 billion of monetary damages. Keurig strongly disputes the merits of the claims and the calculation of damages. As a result, Keurig has fully briefed summary judgment motions that, if successful, would end the cases entirely. Keurig has also fully briefed other significant motions, including challenges to the validity of plaintiffs' damages calculations. Keurig is also pursuing its opposition to direct purchaser plaintiffs' motion for class certification. Certain of Keurig's motions and opposition have been pending in the SDNY since 2021, with others pending since 2023.

Keurig intends to continue vigorously defending the remaining lawsuits. At this time, we are unable to predict the outcome of these lawsuits, the potential loss or range of loss, if any, associated with the resolution of these lawsuits or any potential effect they may have on us or our results of operations. Accordingly, we have not accrued for a loss contingency. Additionally, as the timelines in these cases may be beyond our control, we can provide no assurance as to whether or when there will be material developments in these matters.

16. Restructuring

RESTRUCTURING PROGRAMS

2023 CEO Succession and Associated Realignment

In 2023, we began to enact several organization movements to ensure succession plans, to reinforce enterprise capabilities to support growth, and to control costs. A key component of the program was the appointment of Tim Cofer as Chief Operating Officer, effective November 6, 2023, with Mr. Cofer succeeding Robert Gamgort as our CEO during the second quarter of 2024. We are also realigning our executive and operating leadership structure to enable faster decision making and to better support various strategic initiatives. The program is expected to incur charges of approximately $55 million, primarily driven by severance costs, which are expected to be incurred through 2024, and the sign-on bonus for Mr. Cofer.

2024 Network Optimization

In March 2024, we announced a restructuring program designed to more effectively and efficiently meet the needs of consumers and customers. The program initially included the closure of our manufacturing facility in Williston, Vermont, with operations and employees relocating to other existing manufacturing locations. The relocation began during the second quarter of 2024 and was completed in the third quarter of 2024. In July 2024, we also announced the closure of our Windsor, Virginia manufacturing facility, which is expected to begin in the first quarter of 2025. Our restructuring program also encompasses other costs intended to optimize our manufacturing and distribution footprint throughout our operations.

The restructuring program is expected to incur pre-tax restructuring charges in an estimated range of $125 million to $145 million, primarily comprised of asset related costs, through the second quarter of 2025.

RESTRUCTURING CHARGES

Restructuring and integration expenses for the defined programs during the periods presented were as follows:

	Third Quarter		First Nine Months	
(in millions)	2024	2023	2024	2023
2023 CEO Succession and Associated Realignment	**$ 3**	$ 25	**$ 16**	$ 25
2024 Network Optimization	**24**	—	**45**	—

RESTRUCTURING LIABILITIES

Restructuring liabilities that qualify as exit and disposal costs under U.S. GAAP are included in accounts payable and accrued expenses on the unaudited condensed consolidated financial statements. Restructuring liabilities, primarily consisting of workforce reduction costs, were as follows:

(in millions)	Restructuring Liabilities
Balance as of January 1, 2024	**$ 27**
Charges to expense	**11**
Cash payments	**(11)**
Balance as of September 30, 2024	**$ 27**

17. Transactions with Related Parties

REPURCHASE OF KDP COMMON STOCK

In March 2024, JAB BevCo B.V., a subsidiary of JAB, sold 100 million shares of KDP's common stock through an underwritten secondary offering. In connection with this offering, we repurchased 35 million shares at the per-share price paid by the underwriter, for a total of $1,012 million, which was effected under our existing share repurchase program.

18. Subsequent Event

On October 23, 2024, we entered into a definitive agreement with GHOST, and certain other parties named therein, to acquire a controlling interest in GHOST. Under the terms of the agreement, we will initially purchase a 60% stake in GHOST for aggregate consideration of $990 million and, upon the closing of that transaction, we will enter into a subsequent agreement with GHOST, which will require the remaining equityholders of GHOST to sell their resulting 40% stake in GHOST to us in 2028. The transaction is subject to customary closing conditions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and notes thereto in our Annual Report.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, including, in particular, statements about the impact of future events, future financial performance, plans, strategies, business combinations, expectations, prospects, competitive environment, regulation, labor matters, supply chain issues, inflation, and availability of raw materials. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as “outlook,” “guidance,” “anticipate,” “expect,” “believe,” “could,” “estimate,” “feel,” “forecast,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “target,” “will,” “would,” and similar words, phrases or expressions and variations or negatives of these words in this Quarterly Report on Form 10-Q. We have based these forward-looking statements on our current views with respect to future events and financial performance. Our actual financial performance could differ materially from those projected in the forward-looking statements due to a variety of factors, including the inherent uncertainty of estimates, forecasts and projections and the possibility that we are unable to successfully complete the GHOST transaction on the anticipated terms and timing or to successfully integrate GHOST into our business, and our financial performance may be better or worse than anticipated. Given these uncertainties, you should not put undue reliance on any forward-looking statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under "Risk Factors" in Part I, Item 1A of our Annual Report, as well as our subsequent filings with the SEC. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, after the date of this Quarterly Report on Form 10-Q, except to the extent required by applicable securities laws.

This Quarterly Report on Form 10-Q contains the names of some of our owned or licensed trademarks, trade names and service marks, which we refer to as our brands. All of the product names included in this Quarterly Report on Form 10-Q are either our registered trademarks or those of our licensors.

OVERVIEW

KDP is a leading beverage company in North America that manufactures, markets, distributes, and sells hot and cold beverages and single serve brewing systems. We have a broad portfolio of iconic beverage brands, including Keurig, Dr Pepper, Canada Dry, Mott's, A&W, Snapple, Peñafiel, 7UP, Green Mountain Coffee Roasters, Clamato, Core Hydration, and The Original Donut Shop. KDP has some of the most recognized beverage brands in North America, with significant consumer awareness levels and long histories that evoke strong emotional connections with consumers. We offer more than 125 owned, licensed, and partner brands, available nearly everywhere people shop and consume beverages through our sales and distribution network.

KDP operates as an integrated brand owner, manufacturer, and distributor. We believe our integrated business model strengthens our route-to-market and provides opportunities for net sales and profit growth through the alignment of the economic interests of our brand ownership and our manufacturing and distribution businesses through both our DSD system and our WD system. We market and sell our products to retailers, including supermarkets, mass merchandisers, club stores, pure-play e-commerce retailers, and office superstores; to restaurants, hotel chains, office product and coffee distributors, and partner brand owners; and directly to consumers through our website. Our integrated business model enables us to be more flexible and responsive to the changing needs of our large retail customers and allows us to more fully leverage our scale and reduce costs by creating greater geographic manufacturing and distribution coverage.

Our operating and reportable segments are as follows:

- The U.S. Refreshment Beverages segment reflects sales in the U.S. from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including the sales of the Company's own brands and third-party brands, to third-party bottlers, distributors, and retailers.
- The U.S. Coffee segment reflects sales in the U.S. from the manufacture and distribution of finished goods relating to the Company's K-Cup pods, single-serve brewers, and other coffee products to partners, retailers and directly to consumers through our Keurig.com website.

- The International segment reflects sales in international markets, including the following:
    - Sales in Canada, Mexico, the Caribbean, and other international markets from the manufacture and distribution of branded concentrates, syrup, and finished beverages, including sales of the Company's own brands and third-party brands, to third-party bottlers, distributors, and retailers.
    - Sales in Canada from the manufacture and distribution of finished goods relating to the Company's single-serve brewers, K-Cup pods, and other coffee products.

COMPARABLE RESULTS OF OPERATIONS

We eliminate from our financial results all applicable intercompany transactions between entities included in our consolidated financial statements and the intercompany transactions with our equity method investees. References in tables below to percentage changes that are not meaningful are denoted by "NM".

EXECUTIVE SUMMARY

Financial Overview - Third Quarter of 2024 as compared to Third Quarter of 2023

As Reported, in millions (except EPS)

88	89	90	91

Key Events During the Third Quarter of 2024

Acquisition of Strategic Assets from Kalil Bottling Company

In August 2024, we completed the Kalil Acquisition, which was previously announced on May 31, 2024. As a result, our DSD operations gained new bottling and distribution rights in Arizona to key KDP brands, including Canada Dry, 7UP, A&W, Snapple, and Core Hydration. Refer to Note 3 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information.

Increase in Quarterly Dividend

On September 12, 2024, we announced a 7.0% increase in our annualized dividend rate to $0.92 per share, from the previous annualized rate of $0.86 per share, effective with the regular quarterly cash dividend announced on the same day.

Definitive Agreement to Acquire GHOST

On October 23, 2024, we entered into a definitive agreement with GHOST, and certain other parties named therein, to acquire a controlling interest in GHOST. Founded in 2016, GHOST is a lifestyle sports nutrition business with a portfolio anchored by GHOST Energy, a leading ready-to-drink energy brand.

Under the terms of the agreement, we will initially purchase a 60% stake in GHOST for aggregate consideration of $990 million and, upon the closing of that transaction, we will enter into a subsequent agreement with GHOST, which will require the remaining equityholders of GHOST to sell their resulting 40% stake in GHOST to us in 2028. The transaction is subject to customary closing conditions.

RESULTS OF OPERATIONS

Third Quarter of 2024 Compared to Third Quarter of 2023

Consolidated Operations

The following table sets forth our unaudited condensed consolidated results of operations for the third quarter of 2024 and 2023:

($ in millions, except per share amounts)	Third Quarter 2024	Third Quarter 2023	Dollar Change	Percentage Change
Net sales	**$ 3,891**	$ 3,805	$ 86	2.3 %
Cost of sales	**1,751**	1,694	57	3.4
Gross profit	**2,140**	2,111	29	1.4
Selling, general and administrative expenses	**1,245**	1,217	28	2.3
Impairment of intangible assets	**—**	2	(2)	NM
Other operating expense, net	**(7)**	(4)	(3)	NM
Income from operations	**902**	896	6	0.7
Interest expense, net	**106**	237	(131)	(55.3)
Other income, net	**(6)**	(5)	(1)	20.0
Income before provision for income taxes	**802**	664	138	20.8
Provision for income taxes	**186**	146	40	NM
Net income	**$ 616**	$ 518	98	18.9
Earnings per common share:				
Basic	**$ 0.45**	$ 0.37	$ 0.08	21.6 %
Diluted	**0.45**	0.37	0.08	21.6
Gross margin	**55.0 %**	55.5 %		(50) bps
Operating margin	**23.2 %**	23.5 %		(30) bps
Effective tax rate	**23.2 %**	22.0 %		120 bps

Sales Volume. The following table provides the percentage change in sales volume for the third quarter of 2024 compared to the prior year period:

	Percentage Change
LRB	3.5 %
K-Cup pods	1.0
Appliances	13.9

Net Sales. Net sales increased $86 million, or 2.3%, to $3,891 million for the third quarter of 2024 compared to $3,805 million in the prior year period. This performance reflected volume/mix growth of 3.5%, partially offset by unfavorable impacts from FX translation (0.8%) and net price realization (0.4%).

Gross Profit. Gross profit increased $29 million, or 1.4%, to $2,140 million for the third quarter of 2024 compared to $2,111 million in the prior year period. This performance primarily reflected a net benefit from changes in ingredients, materials, and productivity (3 percentage points), partially offset by increases in other manufacturing costs (1 percentage point).

Selling, General and Administrative Expenses. SG&A expenses increased $28 million, or 2.3%, to $1,245 million for the third quarter of 2024 compared to $1,217 million in the prior year period, primarily driven by unfavorable changes in unrealized commodity mark-to-market activity (4 percentage points), partially offset by reduced costs associated with restructuring and productivity projects (2 percentage points).

Income from Operations. Income from operations increased $6 million, or 0.7%, to $902 million for the third quarter of 2024, compared to $896 million in the prior year period, as our increase in gross profit was almost fully offset by increased SG&A expenses.

Interest Expense. Interest expense decreased $131 million, or 55.3%, to $106 million for the third quarter of 2024 compared with $237 million in the prior year period. This change reflected favorable year-over-year changes in unrealized mark-to-market activity (71 percentage points), partially offset by increased weighted average borrowings (17 percentage points).

Net Income. Net income increased $98 million, or 18.9%, to $616 million for the third quarter of 2024 as compared to $518 million in the prior year period, primarily driven by reduced interest expense.

Diluted EPS. Diluted EPS increased 21.6% to $0.45 per diluted share for the third quarter of 2024 as compared to $0.37 in the prior year period.

Results of Operations by Segment

The following tables set forth net sales and income from operations for our segments for the third quarter of 2024 and 2023, as well as other amounts necessary to reconcile our segment results to our consolidated results presented in accordance with U.S. GAAP.

	Third Quarter	
(in millions)	2024	2023
Net sales		
U.S. Refreshment Beverages	**$ 2,390**	$ 2,270
U.S. Coffee	**976**	1,012
International	**525**	523
Total net sales	**$ 3,891**	$ 3,805
Income from operations		
U.S. Refreshment Beverages	**$ 722**	$ 676
U.S. Coffee	**254**	293
International	**157**	139
Unallocated corporate costs	**(231)**	(212)
Income from operations	**$ 902**	$ 896

U.S. REFRESHMENT BEVERAGES

The following table provides selected information about our U.S. Refreshment Beverages segment's results:

	Third Quarter			
(in millions)	2024	2023	Dollar Change	Percentage Change
Net sales	**$ 2,390**	$ 2,270	$ 120	5.3 %
Income from operations	**722**	676	46	6.8
Operating margin	**30.2 %**	29.8 %		40 bps

Sales Volume. Sales volume for the third quarter of 2024 increased 3.7% compared to the prior year period, driven by growth in carbonated soft drinks, as well as contributions from partnerships such as Electrolit and C4.

Net Sales. Net sales increased 5.3% to $2,390 million for the third quarter of 2024, compared to $2,270 million in the prior year period, driven by volume/mix growth of 4.0% and favorable net price realization of 1.3%.

Income from Operations. Income from operations increased $46 million, or 6.8%, to $722 million for the third quarter of 2024, compared to $676 million for the prior year period. This performance primarily reflects the gross profit impact of net sales growth (8 percentage points), earned equity from the achievement of milestones associated with certain distribution agreements (3 percentage points), and a net benefit from changes in ingredients, materials, and productivity (2 percentage points), partially offset by increases in transportation and warehousing expenses (4 percentage points) and other manufacturing costs (3 percentage points).

U.S. COFFEE

The following table provides selected information about our U.S. Coffee segment's results:

	Third Quarter			
(in millions)	2024	2023	Dollar Change	Percentage Change
Net sales	**$ 976**	$ 1,012	$ (36)	(3.6) %
Income from operations	**254**	293	(39)	(13.3)
Operating margin	**26.0 %**	29.0 %		(300) bps

Sales Volume. K-Cup pod volume decreased 0.4% in the third quarter of 2024 compared to the prior year period. Appliance volume increased 14.2% compared to the prior year period, driven by Keurig market share momentum and improving coffeemaker category trends.

Net Sales. Net sales decreased 3.6% to $976 million for the third quarter of 2024 compared to net sales of $1,012 million in the prior year period, reflecting unfavorable net price realization of 6.3%, partially offset by volume/mix growth of 2.7%.

Income from Operations. Income from operations decreased $39 million, or 13.3%, to $254 million for the third quarter of 2024, compared to $293 million for the prior year period, primarily reflecting the gross profit impact of the decrease in net sales (21 percentage points) and losses on the disposal of assets related to our 2024 Network Optimization program (4 percentage points), partially offset by the net benefit from changes in ingredients, materials, and productivity (11 percentage points).

INTERNATIONAL

The following table provides selected information about our International segment's results:

(in millions)	Third Quarter 2024	Third Quarter 2023	Dollar Change	Percentage Change
Net sales	**$ 525**	$ 523	$ 2	0.4 %
Income from operations	**157**	139	18	12.9
Operating margin	**29.9 %**	26.6 %		330 bps

Sales volume. The following table provides the percentage change in sales volume for the International segment compared to the prior year period:

	Percentage Change
LRB	2.6 %
K-Cup pods	10.7
Appliances	10.1

Net Sales. Net sales increased 0.4% to $525 million in the third quarter of 2024, compared to $523 million for the prior year period, reflecting higher net price realization of 3.4% and volume/mix growth of 3.1%, which was largely offset by unfavorable FX translation impacts of 6.1%.

Income from Operations. Income from operations increased $18 million, or 12.9%, to $157 million for the third quarter of 2024 compared to $139 million in the prior year period. This performance primarily reflected the favorable net price realization (13 percentage points) and the net benefit from changes in ingredients, materials, and productivity (6 percentage points), partially offset by increased transportation and warehousing expenses (7 percentage points).

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First Nine Months of 2024 Compared to First Nine Months of 2023

Consolidated Operations

The following table sets forth our unaudited condensed consolidated results of operations for the first nine months of 2024 and 2023:

($ in millions, except per share amounts)	First Nine Months 2024	First Nine Months 2023	Dollar Change	Percentage Change
Net sales	**$ 11,281**	$ 10,947	$ 334	3.1 %
Cost of sales	**5,029**	5,051	(22)	(0.4)
Gross profit	**6,252**	5,896	356	6.0
Selling, general and administrative expenses	**3,716**	3,654	62	1.7
Impairment of intangible assets	**—**	2	(2)	NM
Other operating (income) expense, net	**8**	(9)	17	NM
Income from operations	**2,528**	2,249	279	12.4
Interest expense	**488**	432	56	13.0
Other income, net	**(28)**	(41)	13	NM
Income before provision for income taxes	**2,068**	1,858	210	11.3
Provision for income taxes	**483**	370	113	30.5
Net income	**$ 1,585**	$ 1,488	97	6.5
Earnings per common share:				
Basic	**$ 1.16**	$ 1.06	$ 0.10	9.4 %
Diluted	**1.16**	1.05	0.11	10.5
Gross margin	**55.4 %**	53.9 %		150 bps
Operating margin	**22.4 %**	20.5 %		190 bps
Effective tax rate	**23.4 %**	19.9 %		350 bps

Sales Volume. The following table provides the percentage change in sales volume compared to the prior year period:

	Percentage Change
LRB	0.9 %
K-Cup pods	0.5
Appliances	12.0

Net Sales. Net sales increased $334 million, or 3.1%, to $11,281 million for the first nine months of 2024 compared to $10,947 million in the prior year period. This performance reflected volume/mix growth of 1.7% and favorable net price realization of 1.4%.

Gross Profit. Gross profit increased $356 million, or 6.0%, to $6,252 million for the first nine months of 2024 compared to $5,896 million in the prior year period. This performance primarily reflected a net benefit from changes in ingredients, materials, and productivity (3 percentage points), the gross profit impact of net sales growth (3 percentage points), and earned equity from the achievement of milestones associated with certain distribution agreements (1 percentage point), partially offset by increases in other manufacturing costs (1 percentage point).

Selling, general and administrative expenses. SG&A expenses increased $62 million, or 1.7%, to $3,716 million for the first nine months of 2024 compared to $3,654 million in the prior year period, led by higher people costs.

Other operating (income) expense, net. Other operating (income) expense, net reflected an unfavorable change of $17 million from the prior year period, primarily driven by losses on the disposal of assets related to our 2024 Network Optimization program.

Income from Operations. Income from operations increased $279 million, or 12.4%, to $2,528 million for the first nine months of 2024 compared to $2,249 million in the prior year period, primarily driven by increased gross profit, partially offset by increased SG&A expenses.

Interest Expense. Interest expense increased $56 million to $488 million for the first nine months of 2024 compared to $432 million for the prior year period, primarily driven by increased weighted average borrowings (29 percentage points), which was partially offset by a favorable year-over-year change in unrealized mark-to-market activity (14 percentage points).

Effective Tax Rate. The effective tax rate increased 350 bps to 23.4% for the first nine months of 2024, compared to 19.9% in the prior year period, primarily driven by the unfavorable comparison to the prior year tax benefit received from a non-cash adjustment (150 bps) and a shift in the mix of income from lower tax jurisdictions to higher tax jurisdictions (100 bps).

Net Income. Net income increased $97 million, or 6.5%, to $1,585 million for the first nine months of 2024 as compared to $1,488 million in the prior year period, driven by increased income from operations, partially offset by increases in our effective tax rate and interest expense.

Diluted EPS. Diluted EPS increased 10.5% to $1.16 per diluted share for the first nine months of 2024 as compared to $1.05 in the prior year period.

Results of Operations by Segment

The following tables provide net sales and income from operations for our reportable segments for the first nine months of 2024 and 2023, as well as the other amounts necessary to reconcile our total segment results to our consolidated results presented in accordance with U.S. GAAP.

	First Nine Months	
(in millions)	2024	2023
Net sales		
U.S. Refreshment Beverages	**$ 6,890**	$ 6,607
U.S. Coffee	**2,837**	2,913
International	**1,554**	1,427
Total net sales	**$ 11,281**	$ 10,947
Income from operations		
U.S. Refreshment Beverages	**$ 2,054**	$ 1,795
U.S. Coffee	**730**	775
International	**419**	331
Unallocated corporate costs	**(675)**	(652)
Total income from operations	**$ 2,528**	$ 2,249

U.S. REFRESHMENT BEVERAGES

The following table provides selected information about our U.S. Refreshment Beverages segment's results:

(in millions)	First Nine Months 2024	First Nine Months 2023	Dollar Change	Percentage Change
Net sales	**$ 6,890**	$ 6,607	$ 283	4.3 %
Income from operations	**2,054**	1,795	259	14.4
Operating margin	**29.8 %**	27.2 %		260 bps

Sales Volume. Sales volume for the first nine months of 2024 decreased approximately 0.3% compared to the prior year period, as growth in carbonated soft drinks, as well as the contributions from partnerships such as Electrolit and C4, were offset by softness in our still portfolio.

Net Sales. Net sales increased 4.3% to $6,890 million in the first nine months of 2024, compared to $6,607 million in the prior year period, driven by favorable net price realization of 3.2% and volume/mix growth of 1.1%.

Income from Operations. Income from operations increased $259 million, or 14.4%, to $2,054 million for the first nine months of 2024 compared to $1,795 million for the prior year period. This performance was led by the gross profit impact of net sales growth (10 percentage points), a net benefit from changes in ingredients, materials, and productivity (4 percentage points), and earned equity from the achievement of milestones associated with certain distribution agreements (4 percentage points).

U.S. COFFEE

The following table provides selected information about our U.S. Coffee segment's results:

(in millions)	First Nine Months 2024	First Nine Months 2023	Dollar Change	Percentage Change
Net sales	**$ 2,837**	$ 2,913	$ (76)	(2.6) %
Income from operations	**730**	775	(45)	(5.8)
Operating margin	**25.7 %**	26.6 %		(90) bps

Sales Volume. K-Cup pod volume decreased 0.4% for the first nine months of 2024 compared to the prior year period. Appliance volume increased 12.4% in the first nine months of 2024, driven by Keurig market share momentum and improving coffeemaker category trends.

Net Sales. Net sales decreased 2.6% to $2,837 million for the first nine months of 2024 compared to $2,913 million in the prior year period, driven by unfavorable net price realization of 3.7%, partially offset by volume/mix growth of 1.1%.

Income from Operations. Income from operations decreased $45 million, or 5.8%, to $730 million for the first nine months of 2024, compared to $775 million in the prior year period, driven by the gross profit impact of the net sales decrease (13 percentage points) and costs associated with our 2024 Network Optimization program (4 percentage points), partially offset by a net benefit from changes in ingredients, materials, and productivity (8 percentage points) and lower people costs (1 percentage points).

INTERNATIONAL

The following table provides selected information about our International segment's results:

	First Nine Months			
(in millions)	2024	2023	Dollar Change	Percentage Change
Net sales	**$ 1,554**	$ 1,427	$ 127	8.9 %
Income from operations	**419**	331	88	26.6
Operating margin	**27.0 %**	23.2 %		380 bps

Sales Volume. The following table provides the percentage change in sales volume for the International segment compared to the prior year period:

	Percentage Change
LRB	6.0 %
K-Cup pods	6.9
Appliances	8.3

Net Sales. Net sales increased 8.9% to $1,554 million in the first nine months of 2024, compared to $1,427 million in the prior year period, reflecting volume/mix growth of 6.1% and higher net price realization of 3.4%, partially offset by unfavorable FX translation of 0.6%.

Income from Operations. Income from operations increased $88 million, or 26.6%, to $419 million for the first nine months of 2024 compared to $331 million in the prior year period. This performance reflected the gross profit impact of net sales growth (26 percentage points) and a net benefit from changes in ingredients, materials, and productivity (6 percentage points), partially offset by higher marketing investment (6 percentage points) and increased transportation and warehousing expenses (5 percentage points).

CRITICAL ACCOUNTING ESTIMATES

The process of preparing our consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Critical accounting estimates are both fundamental to the portrayal of a company's financial condition and results and require difficult, subjective or complex estimates and assessments. These estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. The most significant estimates and judgments are reviewed on an ongoing basis and revised when necessary. These critical accounting estimates are discussed in greater detail in Part II, Item 7 of our Annual Report.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We believe our financial condition and liquidity remain strong. We continue to manage all aspects of our business, including, but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships, implementing gross margin enhancement strategies through our productivity initiatives, and developing new opportunities for growth such as innovation and agreements with partners to distribute brands that are accretive to our portfolio.

Cash generated by our foreign operations is generally repatriated to the U.S. periodically as working capital funding requirements, where allowed. We do not expect restrictions or taxes on repatriation of cash held outside the U.S. to have a material effect on our overall business, liquidity, financial condition or results of operations for the foreseeable future.

The following summarizes our cash activity for the first nine months of 2024 and 2023:

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Principal Sources of Capital Resources

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from our operations, and borrowing capacity currently available under our Revolving Credit Agreement. Additionally, we have an uncommitted commercial paper program where we can issue unsecured commercial paper notes on a private placement basis. Based on our current and anticipated level of operations, we believe that our operating cash flows will be sufficient to meet our anticipated obligations for the next twelve months and thereafter for the foreseeable future. To the extent that our operating cash flows are not sufficient to meet our liquidity needs, we may utilize cash on hand or amounts available under our financing arrangements, if necessary. At any time, and from time to time, we may seek additional deleveraging, refinancing or liquidity enhancing transactions, including entering into transactions to repurchase or redeem outstanding indebtedness or otherwise seek transactions to reduce interest expense, extend debt maturities and improve our capital and liquidity structure.

Sources of Liquidity - Operations

Net cash provided by operating activities increased $338 million for the first nine months of 2024, as compared to the first nine months of 2023, driven by the favorable comparison in working capital versus the prior year period.

Cash Conversion Cycle

Our cash conversion cycle is defined as DIO and DSO less DPO. The calculation of each component of the cash conversion cycle is provided below:

Component	Calculation (on a trailing twelve month basis)
DIO	(Average inventory divided by cost of sales) * Number of days in the period
DSO	(Accounts receivable divided by net sales) * Number of days in the period
DPO	(Accounts payable * Number of days in the period) divided by cost of sales and SG&A expenses

The following table summarizes our cash conversion cycle:

	September 30,	
	2024	2023
DIO	**67**	72
DSO	**35**	32
DPO	**98**	127
Cash conversion cycle	**4**	(23)

Our cash conversion cycle increased 27 days to approximately 4 days as of September 30, 2024 as compared to (23) days as of September 30, 2023, which was primarily driven by the decrease in DPO, reflecting the reduction of payment terms for certain suppliers.

Accounts Payable Program

As part of our ongoing efforts to improve our cash flow and related liquidity, we work with our suppliers to optimize our terms and conditions, which includes payment terms. Excluding our suppliers who require cash at date of purchase or sale, our current payment terms with our suppliers generally range from 10 to 360 days. We also enter into agreements with third party administrators to allow participating suppliers to track payment obligations from us, and, if voluntarily elected by the supplier, sell payment obligations from us to financial institutions. Suppliers can sell one or more of our payment obligations at their sole discretion and our rights and obligations to our suppliers are not impacted. We have no economic interest in a supplier's decision to enter into these agreements and no direct financial relationship with the financial institutions. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted.

Sources of Liquidity - Financing

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Refer to Note 2 of the Notes to our Unaudited Condensed Consolidated Financial Statements for management's discussion of our financing arrangements.

We also have an active shelf registration statement, filed with the SEC on August 19, 2022, which allows us to issue an indeterminate number or amount of common stock, preferred stock, debt securities and warrants from time to time in one or more offerings at the direction of our Board.

Debt Ratings

Our credit ratings are as follows:

Rating Agency	Long-Term Debt Rating	Commercial Paper Rating	Outlook
Moody's	Baa1	P-2	Stable
S&P	BBB	A-2	Stable

These debt and commercial paper ratings impact the interest we pay on our financing arrangements. A downgrade of one or both of our debt and commercial paper ratings could increase our interest expense and decrease the cash available to fund anticipated obligations.

As of September 30, 2024, we were in compliance with all debt covenants and we have no reason to believe that we will be unable to satisfy these covenants.

Principal Uses of Capital Resources

Our capital allocation priorities are investing to grow our business both organically and inorganically, continuing to strengthen our balance sheet, and returning cash to shareholders through regular quarterly dividends and opportunistic share repurchases. We dynamically adjust our cash deployment plans based on the specific opportunities available in a given period, but over time we allocate capital to balance each of these priorities.

Regular Quarterly Dividends

We have declared total dividends of $0.66 per share and $0.615 per share for the first nine months of 2024 and 2023, respectively.

Repurchases of Common Stock

Our Board authorized a four-year share repurchase program, ending December 31, 2025, of up to $4 billion of our outstanding common stock. We repurchased and retired $1,105 million of common stock during the first nine months of 2024. As of September 30, 2024, $1,810 million remained available for repurchase under the authorized share repurchase program.

Capital Expenditures

Purchases of property, plant and equipment were $398 million and $271 million for the first nine months of 2024 and 2023, respectively.

Capital expenditures, which includes both purchases of property, plant and equipment and amounts included in accounts payable and accrued expenses, for the first nine months of 2024 and 2023 primarily related to investments in manufacturing capabilities, both in the U.S. and internationally. Capital expenditures included in accounts payable and accrued expenses were $164 million and $196 million for the first nine months of 2024 and 2023, respectively, which primarily related to these investments.

Investments in Unconsolidated Affiliates

From time to time, we expect to invest in beverage startup companies or in brand ownership companies to grow our presence in certain product categories, or enter into various licensing and distribution agreements to expand our product portfolio. Our investments generally involve acquiring a minority interest in equity securities of a company, in certain cases with a protected path to ownership at our future option. Investments in unconsolidated affiliates were $7 million and $308 million for the first nine months of 2024 and 2023, respectively.

Acquisitions of Businesses and Purchases of Intangible Assets

We have invested in the expansion of our DSD network through transactions with strategic independent bottlers or third-party brand ownership companies to ensure competitive distribution scale. From time to time, we additionally acquire brand ownership companies to expand our portfolio. These transactions could be accounted for either as an acquisition of a business or as an asset acquisition, as the majority of the transaction price represents the acquisition of a single intangible asset. In the third quarter of 2024, we completed the Kalil Acquisition for total consideration of $103 million. Purchases of intangible assets were $49 million and $55 million for the first nine months of 2024 and 2023, respectively.

Uncertainties and Trends Affecting Liquidity

Disruptions in financial and credit markets, including those caused by inflation, global economic uncertainty and fluctuations in interest rates, may impact our ability to manage normal commercial relationships with our customers, suppliers and creditors. These disruptions could have a negative impact on the ability of our customers to timely pay their obligations to us, thus reducing our cash flow, or the ability of our vendors to timely supply materials.

Customer and consumer demand for our products may also be impacted by the risk factors discussed under "Risk Factors" in Part 1, Item 1A of our Annual Report, as well as subsequent filings with the SEC, that could have a material effect on production, delivery and consumption of our products, which could result in a reduction in our sales volume.

SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

The Notes are fully and unconditionally guaranteed by certain of our direct and indirect subsidiaries (the "Guarantors"), as defined in the indentures governing the Notes. The Guarantors are 100% owned either directly or indirectly by us and jointly and severally guarantee, subject to the release provisions described below, our obligations under the Notes. None of our subsidiaries organized outside of the U.S., any of the subsidiaries held by Maple Parent Holdings Corp. prior to the DPS Merger or any of the subsidiaries acquired after the DPS Merger (collectively, the "Non-Guarantors") guarantee the Notes. The subsidiary guarantees with respect to the Notes are subject to release upon the occurrence of certain events, including the sale of all or substantially all of a subsidiary's assets, the release of the subsidiary's guarantee of our other indebtedness, our exercise of the legal defeasance option with respect to the Notes and the discharge of our obligations under the applicable indenture.

The following schedules present the summarized financial information for Keurig Dr Pepper Inc. (the “Parent”) and the Guarantors on a combined basis after intercompany eliminations; the Parent and the Guarantors' amounts due from and amounts due to Non-Guarantors are disclosed separately. The consolidating schedules are provided in accordance with the reporting requirements of Rule 13-01 under SEC Regulation S-X for the issuer and guarantor subsidiaries.

The summarized financial information for the Parent and Guarantors were as follows:

(in millions)	For the First Nine Months of 2024
Net sales	**$ 7,173**
Gross profit	**3,805**
Income from operations	**1,178**
Net income	**1,585**

(in millions)	September 30, 2024	December 31, 2023
Current assets	**$ 2,287**	$ 1,957
Non-current assets	**48,721**	48,029
Total assets[(1)]	**$ 51,008**	$ 49,986
Current liabilities	**$ 5,730**	$ 6,749
Non-current liabilities	**19,436**	16,689
Total liabilities[(2)]	**$ 25,166**	$ 23,438

(1) Includes $157 million and $56 million of intercompany receivables due to the Parent and Guarantors from the Non-Guarantors as of September 30, 2024 and December 31, 2023, respectively.

(2) Includes $1,549 million and $1,399 million of intercompany payables due to the Non-Guarantors from the Parent and Guarantors as of September 30, 2024 and December 31, 2023, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the disclosures on market risk made in our Annual Report.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Based on evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that, as of September 30, 2024, our disclosure controls and procedures are effective to (i) provide reasonable assurance that information required to be disclosed in the Exchange Act filings is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and (ii) ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act are accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the quarter ended September 30, 2024 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are occasionally subject to litigation or other legal proceedings relating to our business. See Note 15 of the Notes to our Unaudited Condensed Consolidated Financial Statements for more information related to commitments and contingencies, which is incorporated herein by reference.

On September 10, 2024, the SEC approved a settlement to resolve an investigation, which we previously disclosed, of certain statements in our prior Exchange Act reports regarding the recyclability of our K-Cup pods. To settle the SEC's charges, and without admitting or denying the SEC's findings, the Company paid a civil penalty of $1.5 million.

Item 1A. Risk Factors

There have been no material changes from the risk factors set forth in Part I, Item 1A in our Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 1, 2021, our Board authorized a share repurchase program of up to $4 billion of our outstanding common stock, enabling us to opportunistically return value to shareholders. The $4 billion authorization is effective for four years, beginning on January 1, 2022 and expiring on December 31, 2025, and does not require the purchase of any minimum number of shares. We did not repurchase any shares under this program during the third quarter of 2024. As of September 30, 2024, $1,810 million remained available for repurchase under the authorized share repurchase program.

Item 5. Other Information

During the third quarter of 2024, no directors or executive officers of the Company adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

No.	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (filed on May 12, 2008) and incorporated herein by reference).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. effective as of May 17, 2012 (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q (filed July 26, 2012) and incorporated herein by reference).
3.3	Certificate of Second Amendment to Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. effective as of May 19, 2016 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (filed May 20, 2016) and incorporated herein by reference).
3.4	Certificate of Third Amendment to the Amended and Restated Certificate of Incorporation of Dr Pepper Snapple Group, Inc. effective as of July 9, 2018 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (filed July 9, 2018) and incorporated herein by reference).
3.5	Amended and Restated By-Laws of Keurig Dr Pepper Inc. effective as of July 9, 2018 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K (filed July 9, 2018) and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Exchange Act.
31.2*	Certification of Chief Financial Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Exchange Act.
32.1**	Certification of Chief Executive Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(b) or 15d-14(b) promulgated under the Exchange Act, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2**	Certification of Chief Financial Officer of Keurig Dr Pepper Inc. pursuant to Rule 13a-14(b) or 15d-14(b) promulgated under the Exchange Act, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101*	The following financial information from Keurig Dr Pepper Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Income, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statement of Changes in Stockholders' Equity, and (vi) the Notes to Condensed Consolidated Financial Statements. The Instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104*	The cover page from this Quarterly Report on Form 10-Q, formatted as Inline XBRL.

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Keurig Dr Pepper Inc.

By:	/s/ Sudhanshu Priyadarshi
Name:	Sudhanshu Priyadarshi
Title:	Chief Financial Officer
	(Principal Financial Officer)

Date: October 24, 2024