

The COCA COLA Company

Key Stock Statistics [Source: Google Finance, Company Reports, S&P CapitalIQ, Yahoo Finance]

Primary Stock exchange: NYSE	EPS (TTM): 2.16	Institutional Ownership: 62.0%
52-Wk Range: 54.02 - 67.20	Dividend Yield: 3.02%	Dividend Rate/Share: USD 1.84
Beta(5Y Monthly): 0.54	Volume: 10,455,231	Common Shares(O/S): 4326 M
PE Ratio (TTM): 27.76	Market Cap: 263.472 B	Enterprise Value: 289.69B

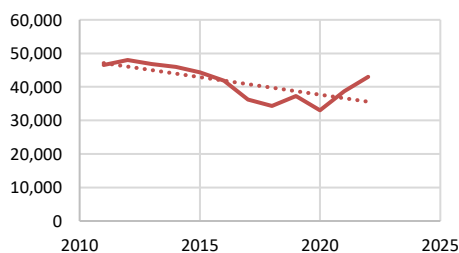
Company Overview

Core Business Description

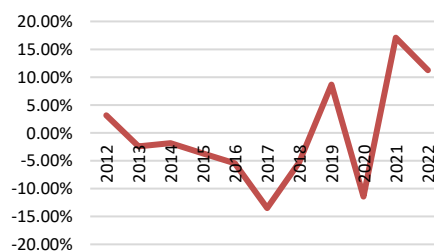
The Coca-Cola Company is an American multinational corporation founded in 1892, best known as the producer of Coca-Cola. The drink industry company also manufactures, sells, and markets other non-alcoholic beverage concentrates and syrups, and alcoholic beverages. The company's stock is listed on the NYSE and is part of the DJIA and the S&P 500 and S&P 100 indexes. The soft drink was developed in 1886 by pharmacist John Stith Pemberton. At the time it was introduced, the product contained cocaine from coca leaves and caffeine from kola nuts which together acted as a stimulant. The coca and the kola are the source of the product name and led to Coca-Cola's promotion as a "healthy tonic". Pemberton had been severely wounded in the American Civil War and had become addicted to the pain medication morphine. He developed the beverage as a patent medicine to control his addiction. In 1889, the formula and brand were sold for \$2,300 to Asa Griggs Candler, who incorporated the Coca-Cola Company in Atlanta in 1892. The company has operated a franchised distribution system since 1889.

Coca-Cola Sales Regressed on Year

$y = -1046.7x + 2E+06$: Slope of -1046.7 means that each year sales are projected to decrease by 1046.7. But this may be due to the outliers during the covid pandemic.



Coca-Cola, Year on Year Growth



Sector: Consumer Staples

Industry: Soft Drinks

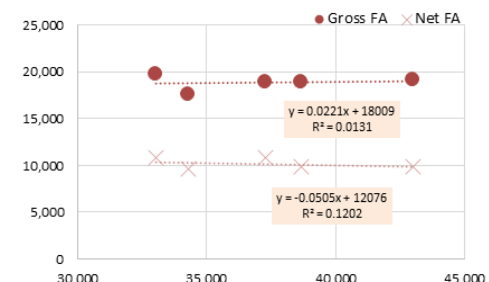
Ticker: KO

Recommendation: BUY

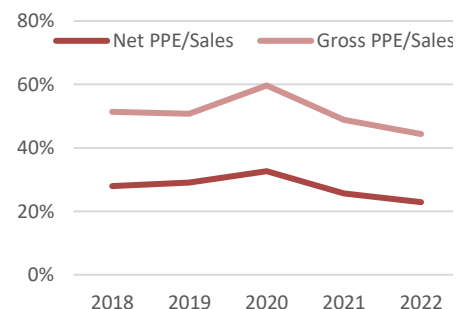
Segment Products and Revenues

The business of our Company is primarily nonalcoholic beverages. Our geographic operating segments (Europe, Middle East and Africa; Latin America; North America; and Asia Pacific) derive a majority of their revenues from the manufacture and sale of beverage concentrates and syrups and, in some cases, the sale of finished beverages. Our Global Ventures operating segment includes the results of our Costa, innocent and doğadan businesses as well as fees earned pursuant to distribution coordination agreements between the Company and Monster. Our Bottling Investments operating segment is composed of our consolidated bottling operations, regardless of the geographic location of the bottler. Our Bottling Investments operating segment also includes equity income from most of our equity method investees. Our consolidated bottling operations derive most of their revenues from the manufacture and sale of finished beverages. Generally, finished product operations produce higher net operating revenues but lower gross profit margins than concentrate operations.

Gross and Net Fixed Assets vs Sales

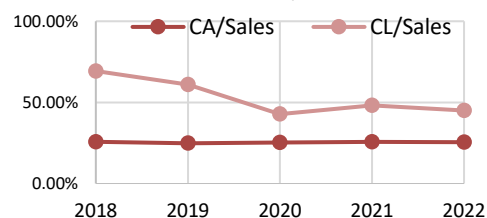


PPE/Sales



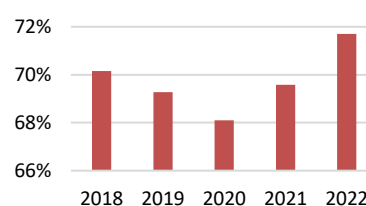
CA/Sales and CL/sales analysis

Here the ration of CA/Sales has been pretty flat over the years even during the pandemic period but there can be seen fluctuation in the ratio CL/Sales.



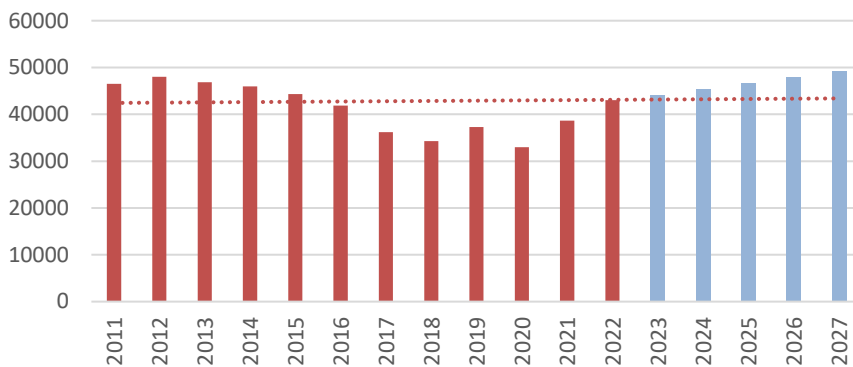
Net Operating Costs/Sales

The costs directly related to the sales



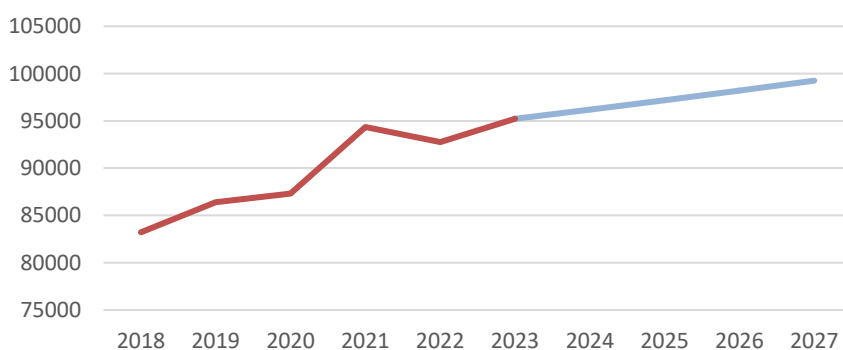
Sales (in millions)

Sales growth likely to be stable: It seems that the company lost some sales during the period 2017 to 2020 but after that period the company has shown a steady small growth in its sales figures. The company showed strongest sales growth in 2021 and 2022 with the sales growth rate of around 17.09% and 11.25% respectively. It is predicted with the help of DCF model that the sales number will grow with the rate of 2.77%.



Total Assets

Total assets growth likely to be stable: The company showed an abnormally high grow in the total assets in the year 2021 and then a negative growth in the year 2022. It is forecasted that the growth in the total assets will remain stable through the period of 2023-2027. This is because of the assumption that the company will not invest heavily into buying any new fixed assets.



Free Cash Flows The model has assumed the Free Cash Flow growth rate of 4.9% for the calculation of the terminal value. The rationale for the rate is that the growth will be like the growth of the economy. Therefore 4.9% is the average of nominal GDP (%) forecast for 2022-2027.

Year	2023	2024	2025	2026	2027
FCF	7,313	8,688	8,738	8,781	8,816
Terminal value					390,723
Total	7,313	8,688	8,738	8,781	399,539

Assumptions for forecasting:

Sales growth	2.77%
Current assets/Sales	25.49%
Current liabilities/Sales	45.28%
Net fixed assets/Sales	26.40%
Depreciation rate	7.98%
Deferred income tax, growth	2.82%
Other liabilities, growth	1.37%
Cash/Sales	27.05%
Debt/Assets	45.15%
Interest rate on debt	2.40%
Interest paid on cash & mkt. sec.	3.86%
Tax rate	20.19%
Dividend growth	3.47%

- We have used mid-year discounting in this model to adjust for the fact the firm does not earn cash flows at the end of the period.
- Moreover, the model has assumed that there will be no major change in the fixed assets of the company.

Coca-Cola Returns vs S&P500 returns

Beta	0.67406274
R-squared	0.43017705

- The model has r-square of 43% which shows that it represents a very good fit for the data
- Beta of 0.67 means that 1% increase or decrease in monthly returns of the S&P 500 was accompanied by 0.67% increase or decrease in the Coca-Cola's return.

Alpha	0.00175723
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- Alpha of 0.00175 means that irrespective of the changes in S&P 50, the monthly changes on the Coca-Cola over the period was around 0.00175

Under-Valued	In-Line with market recommendations	Target Price: 65.73
Buy Recommendation		

Enterprise value:	320,466
PV of FCFs and terminal value	
Add back initial cash	11,631
Asset value	332,097
Subtract year 0 debt	-47,612
Equity value (in millions)	284,485
Divide by # shares outstanding	4,328,000,000
Share value	65.73
Current market value per share	60.05

Firstly, KO is a dividend paying stock with the dividend yield 2.92% (as at March 24, 2023) and a large dividend growth rate of 3.47% over the past 5 years. Secondly, in term of performance, KO has sales growth of 11.25% in 2022 compared to 2021 and 5.83% growth in operating income was reported in 2022. This makes KO become more attractive to investors. Thirdly, regarding the valuation, KO is under-valued company with estimated share value \$65.73 compared to current market value per share \$60.05 (as at March 24, 2023).

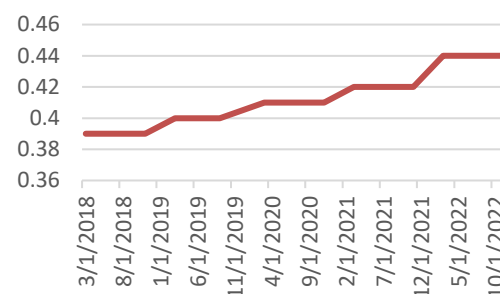
Finally, investing in KO could reduce the volatility of your investment portfolio since KO has beta of 0.54 which is less than market beta. This is good for fund managers who aim to reduce their portfolios' volatility. In addition, fund managers can consider KO as one of their options in diversifying their portfolios.

Coca-Cola has a well-known brand, a vast distribution network, and a track record of paying out consistent dividends to its stockholders.

Having said that, investing in Coca-Cola carries dangers, just like any other type of investment. The business must contend with growing competition from other beverage producers as well as shifting consumer tastes toward healthier alternatives. Before making any investment selections, investors should do extensive research on the company's finances, future growth potential, and market trends.

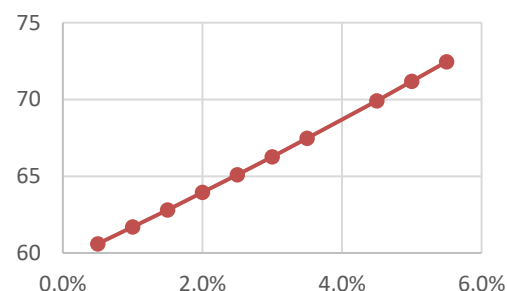
When making any investment decisions on Coca-Cola or any other firm, investors should consider their own investment objectives, risk tolerance, and time horizon.

Dividend per share



The company has been consistent in paying dividends to its shareholders. Moreover, even during the covid pandemic the company did not stop paying dividends which shows that strength of the company.

Sensitivity Analysis: Sales Growth vs Share Price



For the future growth, company can maximize its share value by increasing sales growth. According to the sensitivity table, sales growth of 5.50% results in increase in share value to \$72, which considered a good opportunity for investors.