DBS

Coca-Cola

The world remains thirsty for Coke

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Zheng Feng Chee
Analyst
groupresearch@dbs.com

Company Overview

The Coca-Cola Company is a global total beverage company. It owns or licenses and markets over 200+ beverage brands like Coca-Cola, Sprite, and Powerade amongst others worldwide. Its global unit case volume mix split in FY24 is 18% North America, 29% Latin America, 29% Europe, Middle East & Africa and 24% Asia Pacific. Overall, the company derives 59% of its revenue from concentrate and 41% from finished products; its concentrate operations command significantly higher operating margins (est 40%-60%) than its finished products operations (6%-7%).

Investment Overview

Transiting to be the world's smallest bottler through franchise model. Coca-Cola operates a unique franchise distribution network, investing in international bottling partners through its Bottling Investment Group and later divesting its equity stakes once they become successful. It has over 950 bottling plants across 200 bottling partners worldwide. Post-divestment, these partners retain exclusive rights to bottle Coca-Cola products, paying a franchise fee and remaining contractually obligated to purchase concentrates from the company. This model ensures high-margin revenue while monetising bottling stakes.

Reiterated organic revenue growth guidance of 4%–5% and raised comparable EPS growth guidance to 8%–9% (from 7%–8%), driven by a lower effective tax rate. In the coming quarters, growth is expected to be more balanced between volume and price/mix, each contributing c.2%–3%. Higher packaging costs are expected to weigh more on bottling partners, with less impact on the company following the divestment of most of its bottling operations. Management remains confident in mitigating cost pressures through procurement scale and productivity initiatives. Margins are expected to improve in 2H26 following the completion of the sale of lower-margin bottling operations in Africa.

Adapting to local market nuances to sustain volume share gains. The company continues to leverage data and digital capabilities to stay closely aligned with evolving consumer preferences. In Europe, insights into consumers moderating caffeine intake in the evenings supported the relaunch of Coca-Cola Zero Zero (zero sugar, zero calorie and zero caffeine), contributing to overall brand volume growth in the region. In Asia Pacific, an increased emphasis on value offerings has driven strong 5% unit case volume growth in 1Q26, with expansion recorded across all beverage categories.

Maintain BUY, with higher TP at USD86 (vs USD83). Our TP is raised to USD86, pegged to a higher 26x fwd PE, +2S.D. of its 5-year average. We believe the counter's premium valuation is justified given its dominant positioning in a resilient and growing beverage market coupled with well-executed all-weather strategy and limited raw material cost exposure.

Risks

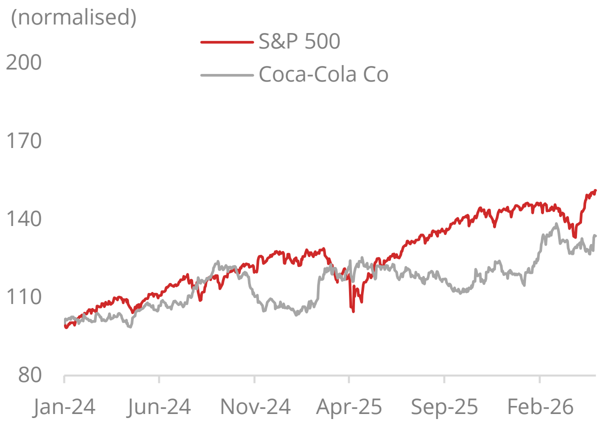
Key risk includes uncertainty surrounding the IRS tax dispute appeal, but a resolution is likely years away.

Key Financial Data

Bloomberg Ticker	KO US
Sector	Consumer Staples
Share Price (USD)	78.76
DBS Rating	BUY
12-mth Target Price (USD)	86.0
Market Cap (USDb)	338.9
Volume (m shares)	15.1
Free float (%)	81.8
Dividend yield (%)	2.6
Net Debt to Equity (%)	91.6
Fwd. P/E (x)	24.2
P/Book (x)	10.1
ROE (%)	45.8

Closing Price as of 30 Apr 2026
Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

Financial Summary (USDmn)

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Sales	45,784	46,897	48,062	48,949	49,697
% y/y	*6.4*	*2.4*	*2.5*	*1.8*	*1.5*
Gross Profit	27,319	28,643	29,534	30,343	31,240
% y/y	*8.3*	*4.8*	*3.1*	*2.8*	*3.0*
EBITDA	14,464	15,160	16,063	17,086	18,235
% y/y	*6.3*	*4.8*	*6.0*	*6.4*	*6.7*
Net Profit	11,660	12,463	12,958	14,072	14,987
% y/y	*7.9*	*6.9*	*4.0*	*8.6*	*6.5*
FCF	9,747	4,741	5,296	12,002	13,671
% y/y	*2.2*	*(51.4)*	*11.7*	*126.6*	*14.6*
CAPEX	1,852	2,064	2,112	2,188	2,086
% y/y	*24.8*	*11.4*	*2.3*	*4.0*	*(5.1)*
EBITDA Margin (%)	31.6	32.3	33.4	34.9	36.7
Net Margin (%)	25.5	26.6	27.0	28.8	30.2
ROA (%)	12.2	12.6	12.6	13.4	13.9
ROE (%)	43.7	46.3	42.7	39.2	37.8
Tax Rate (%)	19.0	18.6	20.6	19.9	20.2

Source: Company, DBS

Valuation Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
P/E (x)	31.7	31.8	25.8	23.7	22.3
P/B (x)	13.1	13.7	10.5	9.8	8.7
Dividend Yield (%)	2.3	2.5	2.6	2.8	2.9
EV/EBITDA (x)	25.6	24.4	23.1	21.7	20.3
FCF Yield (%)	2.9	1.4	1.6	3.5	4.1
Dividend Per Share (DPS)	1.8	1.9	2.0	2.2	2.3

Source: Company, DBS

Credit & Cashflow Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Debt / Equity (%)	153.1	168.8	132.7	117.9	106.1
Net Debt / Equity (x)	1.1	1.2	0.9	0.8	0.6
Debt / Assets (%)	43.1	44.3	43.4	41.6	39.8
Net Debt / Assets (x)	0.3	0.3	0.3	0.3	0.2
EBITDA / Int Exp (%)	9.3	9.0	9.6	10.9	11.8
ST Debt / Total Debt (x)	0.2	0.0	0.1	0.1	0.1
Debt / EBITDA (x)	2.9	2.9	2.8	2.6	2.4
[Cash + CFO] / ST Debt (%)	3.9	10.0	6.9	6.7	7.6
Receivables Days	27.2	27.8	23.1	25.3	27.2
Inventory Days	35.3	36.8	33.6	33.3	34.2

Source: Company, DBS

Target Price & Ratings History

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	01 May'25	72.55	83.00	BUY
2	29 Apr'26	78.35	86.00	BUY

Source: DBS
Analyst: Zheng Feng Chee

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**Share price appreciation + dividends*

Sources for all charts and tables are DBS unless otherwise specified.

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DBS REGIONAL RESEARCH OFFICES

HONG KONG
DBS Bank (Hong Kong) Ltd
Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE
DBS Bank Ltd
Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA
PT DBS Vickers Sekuritas (Indonesia)
Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND
DBS Vickers Securities (Thailand) Co Ltd
Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: DBSVTresearch@dbs.com
Company Regn. No 0105539127012
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