

Keurig Dr Pepper (KDP US)

FUNDAMENTAL VIEW ¹

As of 31 Jul 2025

- Relative to food-oriented peers, KDP benefits from exposure to faster growing, higher margin beverage & coffee categories. However, coffee categories are exposed to underlying commodity swings; coffee is currently experiencing an inflationary cycle.
- Management has adopted a more conservative posture on leverage and reduced its target by half a turn to 2.5x or lower. The reduced leverage target implies roughly a full turn of improvement from current levels in the mid-3x area.
- Despite the current emphasis on leverage reduction, management has maintained that M&A remains a longer-term priority. Still, we are comfortable with KDP credit and favor taking on any spread pickup opportunities over F&B peers.

RISKS & CATALYSTS

As of 31 Jul 2025

- Management has historically guided to M&A as a key capital allocation priority, but recent deal activity has been biased toward bolt-on opportunities and management emphasized integrating recently purchased assets while bringing leverage down to the 2.5x area.
- KDP has exposure to elevated input costs, particularly for green coffee beans. KDP took pricing in coffee, and is expecting some elasticity, but they plan to management to stable profit dollars, and could seek to raise prices further in 2025.
- Given the increased value-seeking mindset of consumers, KDP could see a tradedown benefit if coffee prices rise across the board.

CREDIT QUALITY SCORE (CQS) ²

As of 25 Sep 2025

CURRENT CQS

64

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 31 Jul 2025

\$ MN	Y21	Y22	Y23	Y24	LTM 2Q25
Revenue	12,683	14,057	14,814	15,351	15,759
EBITDA	3,908	3,932	4,189	4,521	4,614
EBITDA Margin	30.8%	28.0%	28.3%	29.5%	29.3%
EBITDA-CAPEX-INT % of Revenues	23.5%	20.5%	21.7%	21.6%	22.3%
Total Debt	12,024	12,104	13,308	15,595	15,927
Net Debt	11,457	11,569	13,041	15,085	15,418
Net Leverage	2.9x	2.9x	3.1x	3.3x	3.3x
EV / EBITDA	16.3x	15.8x	14.2x	13.0x	13.1x

BUSINESS DESCRIPTION

As of 31 Jul 2025

- KDP is the result of a July 2018 merger between Dr Pepper Snapple and Keurig Green Mountain. The merger combined a traditional soft drinks company (DPS) with a faster growing coffee platform that includes the market's leading single serve brewing system.
- The merger was backed by JAB Holdings via its affiliate, Maple Holdings BV. While JAB has trimmed its stake in recent periods, it still controls ~16% of the shares.
- KDP recorded \$15.4 bn in 2024 net sales with adjusted EBITDA of \$4.5 bn. The business is heavily concentrated in North America, and results are reported across three operating segments: U.S. Refreshment Beverages (61% of 2024 sales), U.S. Coffee (26% of sales), and International (13.0% of sales).
- Examples of KDP's key brands include Dr Pepper, Keurig, Snapple, Canada Dry, 7Up, Mott's, and A&W. The company also partners with other leading coffee brands from various producers via licensing and manufacturing agreements for K-cups.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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