

Coca-Cola (KO US)

FUNDAMENTAL VIEW ¹

As of 13 Aug 2025

- As one of the world's largest beverage companies KO operates across a diverse geographic footprint and generates stable and robust free cash flow. Where there is spread dislocation between the two, we are generally comfortable swapping between the two names, as we view both credits as capable of sustaining stable credit metrics. We note that KO's net leverage is in a conservative position despite a recent increase in debt, at the low-end of management's 2.0-2.5x range.
- Our recommendation largely reflects our preference for KO's pure-play beverage profile, where we are seeing more resistance characteristics than in snacking categories, where PEP generates just over half of its sales.

RISKS & CATALYSTS

As of 13 Aug 2025

- An unfavorable U.S. tax ruling could still result in some leverage creep depending on the ultimate outcome. KO is appealing the ruling, and we expect recent sales growth and proceeds from the planned IPO of the African bottling operations will mitigate the impact of any eventual penalty on the credit profile.
- Management has expressed interest in expanding its presence over time in the alcoholic beverage category, although to this point the company has limited its involvement to licensing arrangements for its soft drink brands with large-scale brewers and distillers.
- Sugar-based drinks have frequently been the target of RFK Jr's MAHA movement, introducing risk of SNAP eligibility loss, which could create demand headwinds.

CREDIT QUALITY SCORE (CQS) ²

As of 25 Sep 2025

CURRENT CQS

80

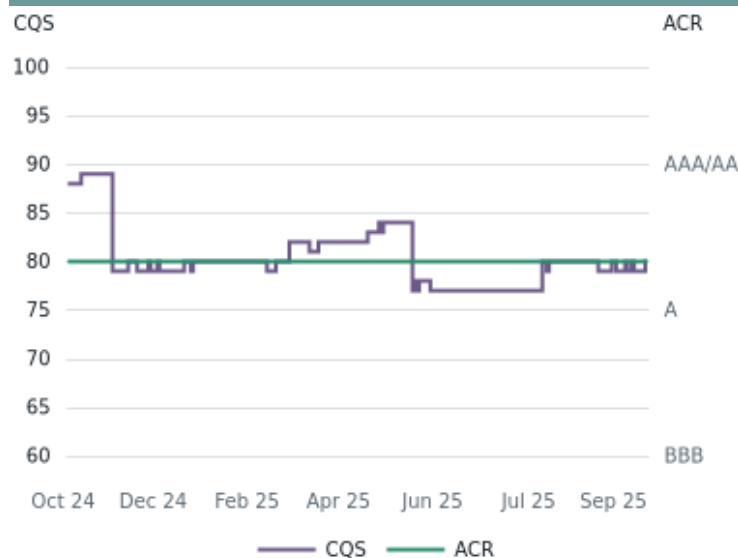
CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

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



KEY METRICS

As of 13 Aug 2025

\$ MN	Y21	Y22	Y23	Y24	LTM 2Q25
Revenue	38,658	43,046	45,784	46,897	47,012
EBITDA	12,898	13,961	14,719	15,446	15,829
EBITDA Margin	33.4%	32.4%	32.1%	32.9%	33.7%
EBITDA-CAPEX-INT % of Revenues	27.9%	26.9%	24.8%	25.0%	25.8%
Total Debt	42,761	39,149	42,064	44,522	49,446
Net Debt	31,835	28,587	29,701	31,674	37,198
Net Leverage	2.5x	2.0x	2.0x	2.1x	2.3x
EV / EBITDA	22.4x	21.8x	19.4x	19.5x	21.6x

BUSINESS DESCRIPTION

As of 13 Aug 2025

- KO is the world's largest beverage company, owning, licensing, and marketing numerous brands in over 200 countries worldwide. It has 4 of the world's top 5 nonalcoholic sparkling beverage brands: Coca-Cola, Diet Coke, Fanta and Sprite.
- KO distributes its product through independent and company-controlled bottling distribution operations. KO largely refranchised its wholly-owned bottlers, selling the operations to independent bottlers. This strategy reduced capital intensity and expanded margins.
- KO has two primary businesses: Beverage Concentrates (59% of revenue) and Finished Sparkling & Still Beverages (41% of revenue). KO uses unit case volume growth and concentrate sales volume to evaluate performance.
- In 2024, the Coca-Cola system sold 33.7 bn unit cases of products worldwide, comprised of 69% from sparkling beverages and 47% from trademark Coca-Cola. The system has broad international exposure, with 84% of unit case volume generated outside the U.S.

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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