

Commercial Due Diligence Brief

Company: **The Coca-Cola Company (NYSE: KO)**

Sector: **Beverages / Consumer Staples**

Region: **United States / Global**

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Institutional Commercial Due Diligence Brief

Commercial Due Diligence incorporating AI Value Creation Assessment

Prepared using publicly available information and Cohres analysis. This commercial due diligence assessment evaluates commercial attractiveness, competitive durability, growth and value-creation potential, financial quality and investment risks, incorporating an assessment of AI-enabled value creation where relevant to the investment thesis.

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EXECUTIVE SUMMARY

Company Overview

[The Coca-Cola Company](#) (NYSE: KO) is a global non-alcoholic beverage company operating across more than 200 countries and territories. Its economic model combines ownership of globally recognized trademarks and beverage formulas with concentrate and syrup sales, brand development, marketing, innovation and coordination of an extensive independent bottling system.

Independent bottlers undertake most finished-beverage manufacturing, distribution and local commercial execution, allowing Coca-Cola to concentrate much of its economics in comparatively high-margin, capital-efficient concentrate and franchise activities. Coca-Cola should therefore be analyzed not simply as a beverage manufacturer, but as a global brand, concentrate and franchise-system owner whose shareholder economics depend on generating consumer demand, sustaining attractive price/mix, expanding transactions and capturing value created across the wider Coca-Cola system.

Recent Performance

Coca-Cola entered 2026 following several years in which organic revenue growth was increasingly supported by price/mix while physical volume growth moderated. Organic revenue increased 16% in FY2022, 12% in FY2023, 12% in FY2024 and 5% in FY2025. Over the same period, price/mix contributed 11%, 10%, 11% and 4%, respectively, while global unit-case volume growth declined from 5% in FY2022 to 2% in FY2023, 1% in FY2024 and approximately zero in FY2025. Concentrate sales volume increased 1% in FY2025.

Performance during H1 2026 showed a more balanced relationship between volume and price/mix. Global unit-case volume increased approximately 3% in Q1 and 5% in Q2, while price/mix increased approximately 2% in each quarter.

The recent trajectory represents an important transition for the investment case. Coca-Cola demonstrated substantial pricing power through the inflationary period, but future growth increasingly depends on restoring sustainable transaction and unit-case growth while maintaining positive price/mix. H1 2026 provides encouraging evidence of a more balanced growth profile, but remains too short to establish that the transition is durable.

Investment Assessment

Coca-Cola's commercial position is supported by a system moat combining global brand equity with bottling infrastructure, distribution density, customer relationships, cold-drink availability and local execution. This architecture allows Coca-Cola to capture attractive upstream economics while independent bottlers fund much of the capital-intensive physical system.

The principal underwriting question is consequently not whether Coca-Cola possesses a durable franchise, but whether that franchise can sustain an attractive combination of unit-case growth and price/mix as the exceptional pricing environment of recent years normalizes. The relationship between pricing and volume cannot be isolated from public data, but the changing growth composition increases the importance of affordability, price-pack architecture and renewed transaction growth to the medium-term investment case.

The evidence supports meaningful pricing power, but not an assumption that the double-digit price/mix achieved during 2022–2024 can be extrapolated. A more sustainable model requires moderate price/mix alongside positive physical growth and disciplined revenue growth management.

Market, Growth & Value-Creation Assessment

Coca-Cola participates in an attractive but heterogeneous global beverage market. The medium-term opportunity is not dependent on uniform growth in carbonated soft drinks, but on expanding transactions and

consumption occasions through emerging-market penetration, portfolio adaptation, distribution and cold availability, price-pack architecture and disciplined commercial execution.

Geographic economics differ materially. North America generates disproportionately high segment revenue and operating income relative to system cases, while emerging-market economics are heterogeneous. On reported geographic-segment economics, Latin America exhibits materially stronger monetization relative to physical scale than Asia Pacific. This comparison is directional rather than a complete measure of Coca-Cola economics by geography because system unit-case volume and reported geographic-segment results are not perfectly aligned, including where economics associated with company-owned bottling operations are reported through Bottling Investments

Competitive Positioning & Commercial Durability

Coca-Cola's competitive advantage is better understood as a system moat than solely a brand moat. Global trademarks are reinforced by bottling infrastructure, distribution density, cold availability, customer relationships and local execution, creating a commercial system that would be difficult to replicate at comparable scale.

The moat remains durable but is not static. Affordability pressure, changing consumer preferences, health and sugar regulation, local competition, retailer bargaining power and inadequate bottler reinvestment could weaken system productivity over time.

AI Value Creation Assessment

AI is commercially relevant but not thesis-critical. Public evidence demonstrates genuine deployment and selected measurable benefits, particularly in recommended ordering, revenue growth management, forecasting and bottler operations. However, many benefits accrue initially to independent bottlers, while available disclosure does not establish sufficient incrementality, implementation economics, persistence or Coca-Cola specific value capture to support a separately identifiable AI earnings uplift in the Base Case. AI should therefore be underwritten as execution upside and option value rather than as a standalone valuation driver.

Key Risks & Sensitivities

The principal commercial risk is that recent price-led growth proves difficult to transition into sustained volume-plus-price/mix growth, particularly where affordability constrains consumption. Bottler economics represent a second material sensitivity because independent bottlers fund much of the manufacturing, distribution and commercial infrastructure supporting the franchise. Additional risks include health and sugar regulation, changing consumer preferences, emerging-market and currency volatility, competition, water availability and execution.

IC Considerations

The Base Case assumes the franchise remains durable and growth normalizes toward moderate price/mix plus positive physical growth. Upside requires stronger sustained transactions, emerging-market monetization and system productivity; downside would be indicated by persistently weak cases, worsening affordability or deteriorating bottler returns.

The principal outstanding diligence questions concern volume elasticity, the sustainable composition of price/mix, emerging-market monetization, incidence-pricing and value-capture mechanics, and returns on incremental system investment. Current public evidence supports the financial capacity of the major reviewed bottlers to continue reinvesting, although bottler margins, leverage, cash generation and capital expenditure remain important monitoring variables.



Overall, the evidence supports Coca-Cola as a commercially durable global franchise with substantial brand, distribution and system advantages. The central investment question is increasingly whether normalized pricing can coexist with renewed physical growth while preserving bottler economics and attractive Coca-Cola value capture. AI provides credible additional execution upside, but current evidence does not support treating it as a material component of the Base Case.

Methodology

This assessment applies Cohres's investment-oriented Commercial Due Diligence framework to Coca-Cola's business model, market position, growth characteristics, commercial performance, competitive durability, financial quality and principal risks. The analysis is based on publicly available information and distinguishes reported facts, management disclosures and Cohres analytical conclusions.

Where AI may affect the investment thesis, Cohres applies its AI Value Creation Assessment (AVCA) methodology:

Screen the claim → Test the claim → Underwrite the claim — distinguishing Realised Benefits, Identified Value Opportunities, Expected Annual Potential and Deployment Commitments.

Particular attention is given to the distinction between value created across the wider Coca-Cola system and value ultimately captured by The Coca-Cola Company and its shareholders. Where public information is insufficient to support a material underwriting assumption, the report identifies the evidence gap rather than assigning unsupported financial value.

COMPANY OVERVIEW

Company Profile & Scale

The Coca-Cola Company (NYSE: KO) is a global non-alcoholic beverage company whose portfolio spans sparkling soft drinks, water, sports drinks, coffee, tea, juice, value-added dairy and other beverage categories. Its products are sold in more than 200 countries and territories, giving the company one of the broadest consumer-beverage footprints globally.

In FY2025, the wider Coca-Cola system sold approximately 33.8B unit cases. Approximately 84% of system unit-case volume was generated outside the United States. Sparkling soft drinks remained the foundation of the portfolio, representing approximately 69% of worldwide unit-case volume, while Trademark Coca-Cola represented approximately 47%.

This distinction between The Coca-Cola Company and the Coca-Cola system is fundamental to the investment case.

Business Model

Coca-Cola operates through two principal forms of activity: concentrate operations and finished-product operations.

Dimension	Concentrate Operations	Finished-Product Operations
Principal Activity	Manufacture and sale of concentrates, bases, and syrups	Manufacturing, packaging, and distribution of finished beverages
Coca-Cola Role	Brand management, secret formulas, marketing, innovation, and system coordination	Direct participation in physical production and route-to-market execution
Capital Intensity	Lower (Asset-light model)	Higher (Capital-intensive plant, equipment, and logistics)
Margin Profile	Higher operating margins	Lower operating margins
Revenue Recognition	Captures upstream economic value relative to finished beverage sales	Recognizes full wholesale value of finished goods sold

The distinction is economically important. Concentrate operations allow Coca-Cola to participate in beverage consumption without owning most of the manufacturing and distribution infrastructure, supporting higher margins and lower capital intensity. Finished-product operations generate greater reported revenue per beverage sold but require greater manufacturing, logistics, working capital and capital investment.

Coca-Cola's reported revenue therefore reflects not only consumer demand and price/mix, but also business mix and changes in bottling ownership. System unit-case volume measures physical beverage activity across the wider Coca-Cola system and does not translate directly into Coca-Cola's consolidated revenue.

The principal economic relationship can therefore be simplified as:

Consumer demand → retailer/foodservice sale → bottler finished-product economics → concentrate/syrup demand → Coca-Cola economics

The transmission is not one-for-one. The economic value captured by Coca-Cola varies by geography, package, channel, category, local pricing, bottler economics and commercial arrangements.

The Coca-Cola System

The Coca-Cola system combines the intellectual property and commercial capabilities of the parent company with the physical operating infrastructure of its bottling partners.

Participant	Principal Role
The Coca-Cola Company	Trademarks, formulas, concentrates/syrups, brand strategy, innovation, marketing and system coordination
Bottlers	Manufacturing, packaging, warehousing, distribution, merchandising, cold equipment, working capital and local execution
Distributors / Wholesalers	Additional market access where applicable
Retailers / Foodservice	Consumer point of sale and final customer economics

The physical scale of the system is substantial: Coca-Cola reports more than 200 bottling partners, more than 950 production facilities globally and approximately 2.2B servings delivered daily across more than 200 countries and territories.

Bottling Network & Franchise Economics

The bottling network is concentrated among several large strategic partners. The five largest independent bottlers account for approximately 44% of worldwide system unit-case volume and the largest 20 approximately 80%. Major partners include Coca-Cola FEMSA, Coca-Cola Europacific Partners, Coca-Cola HBC, Arca Continental and Swire Coca-Cola.

In many markets, commercial alignment is supported through incidence-based concentrate pricing, under which concentrate economics are linked to aspects of the bottler's finished-product pricing and transaction economics. This allows Coca-Cola to participate in improvements in revenue per case rather than relying solely on physical concentrate volume. It does not mean that all incremental bottler revenue or profit accrues to Coca-Cola, because bottlers continue to fund ingredients, packaging, manufacturing, logistics, local selling, working capital and capital expenditure.

The precise allocation of incremental economics between Coca-Cola and individual bottlers is not sufficiently disclosed publicly to support a fixed system-wide value-capture assumption.

Economic Model & Value Capture

Coca-Cola has progressively increased the importance of its franchise structure through re-franchising. Bottling Investments represented approximately 12% of company net revenues in FY2025 versus 52% in 2015, while Coca-Cola has generated approximately \$18B of gross re-franchising proceeds since 2015. Re-franchising shifted greater portions of capital-intensive finished-product activity to independent bottlers while preserving Coca-Cola's participation through trademarks, concentrates, commercial arrangements and selected equity interests.



The result is a more capital-efficient parent company, but not a capital-light Coca-Cola system: bottlers continue to fund substantial manufacturing, distribution, working capital and commercial infrastructure.

A consumer transaction creates value across multiple participants: retailers retain point-of-sale economics; distributors may earn distribution margins; bottlers capture finished-product economics while funding local operations and capital. Then Coca-Cola captures value primarily through concentrate and syrup economics, trademarks, selected finished-product operations, commercial arrangements and strategic bottling interests.

Accordingly:

System unit-case growth $\neq$ KO revenue growth

and

System economic value creation $\neq$ KO shareholder value capture.

Incremental unit cases can increase concentrate and syrup demand, while improvements in revenue per case may benefit Coca-Cola through incidence-pricing mechanisms. Stronger bottler economics can create indirect value by supporting reinvestment, distribution and franchise durability. Conversely, manufacturing, inventory, logistics or other cost savings realized by an independent bottler create system value but do not automatically increase Coca-Cola earnings.

Coca-Cola is best understood as a global brand, concentrate and franchise-system owner with selective vertical integration rather than as a conventional beverage manufacturer. Coca-Cola captures attractive upstream economics while independent bottlers fund much of the physical system. This architecture supports high parent-company capital efficiency but makes bottler financial health and the transmission of system growth into Coca-Cola's economics central to the investment case.

INVESTMENT THESIS

Core Investment Thesis

Coca-Cola is a high-quality global franchise whose economics depend on its ability to combine durable consumer demand, extensive physical distribution and bottler capital with sustainable price/mix and positive transaction growth. Its principal competitive advantage is a system moat rather than merely a trademark moat: brand equity creates consumer pull. The bottling network provides manufacturing and route-to-market infrastructure, customer relationships and cold availability convert demand into transactions. While Coca-Cola captures attractive upstream economics through concentrates, syrups, trademarks and selected strategic interests.

The next phase of the investment thesis depends increasingly on Coca-Cola demonstrating that this system can generate balanced physical and economic growth as the exceptional inflation-related price/mix of recent years normalizes.

Central Underwriting Question

Can Coca-Cola's global franchise generate sustainable organic growth through a more balanced combination of positive transaction and unit-case growth, moderate price/mix and improving system productivity, while preserving healthy bottler economics and attractive Coca-Cola shareholder returns?

Thesis Drivers

Durable System Moat

Coca-Cola's competitive advantage extends beyond brand recognition. Its trademarks operate within a deeply embedded commercial system combining bottling infrastructure, distribution density, customer relationships, cold availability, marketing scale and local execution. The thesis requires these assets to continue translating consumer preference into transactions and attractive economics rather than merely preserving brand awareness.

Balanced Physical and Economic Growth

The investment thesis requires Coca-Cola to generate positive physical growth alongside sustainable price/mix rather than depend on repeated exceptional pricing against a stagnant consumption base. Pricing power remains an important franchise attribute, but future growth quality will increasingly depend on transactions, affordability, price-pack architecture and disciplined revenue growth management.

Emerging-Market Growth with Economic Monetization

Lower-consumption emerging markets provide significant long-term transaction and unit-case growth potential, but generally carry lower revenue per case and greater affordability, currency and execution risk. The thesis therefore requires Coca-Cola not merely to add emerging-market volume, but progressively to convert additional transactions into attractive system economics and Coca-Cola value capture.

Portfolio Relevance

Coca-Cola's core sparkling franchise must remain commercially resilient while zero-sugar variants and adjacent categories preserve or expand profitable consumption occasions. Portfolio expansion should receive underwriting credit only where it demonstrates incremental economics rather than primarily shifting consumption between existing Coca-Cola products.

Bottler Economics & Reinvestment

Coca-Cola's capital efficiency depends on independent bottlers funding much of the physical infrastructure and local execution required by the system. The thesis therefore requires an economically sustainable balance between Coca-Cola and its bottling partners: bottlers must earn sufficient returns to continue investing while

Coca-Cola captures attractive upstream economics. Material deterioration in bottler financial capacity would weaken the franchise even if Coca-Cola's reported margins remained attractive.

AI within the Investment Thesis

AI is a supporting value-creation capability rather than a foundational component of the Coca-Cola investment thesis. It may improve the productivity of existing commercial and operating capabilities, but current evidence does not support a separately identifiable AI earnings contribution in the Base Case. The core investment thesis therefore remains viable without an AI-specific assumption.

What Must Be True

For the commercial investment thesis to remain intact, several conditions must hold simultaneously.

Thesis Driver	What Must Be True	Evidence That Would Weaken the Thesis
Balanced growth	Normalized growth is supported by positive transactions/unit cases alongside sustainable price/mix	Persistent flat/negative cases or continued dependence on exceptional pricing
System moat	Brand, availability, distribution and execution continue translating consumer preference into transactions	Sustained share loss, declining availability or weakening system productivity
Emerging-market monetization	Physical growth progressively converts into attractive revenue and economics	Cases rise but revenue/profit per case remains structurally weak
Portfolio relevance	Core sparkling remains resilient while zero sugar and adjacencies create profitable incremental occasions	Structural core decline or portfolio expansion primarily cannibalizes existing economics
Bottler economics	Bottlers earn sufficient returns and maintain investment capacity	Deteriorating margins, cash generation, leverage or capex
KO value capture	System growth translates into concentrate, price/mix, equity or other KO economics	Increasing system activity with weak transmission into KO earnings and cash flow

For monitoring purposes, 'persistent' refers to weakness extending across multiple reporting periods and not reasonably explained by identifiable timing, calendar, weather or temporary market effects.

Thesis Falsification

The thesis would require material reassessment if Coca-Cola demonstrates persistent inability to generate positive physical growth without exceptional pricing; emerging-market volume fails to translate into improving economics; competitive position deteriorates across core categories or occasions; or bottler returns weaken sufficiently to constrain system reinvestment.

These conditions would indicate a deterioration in the underlying commercial and economic performance of the Coca-Cola system, rather than a temporary weakness in reported growth

Underwriting View

Coca-Cola's investment thesis does not require exceptional beverage-market growth, continued double-digit price/mix or transformative technology-driven productivity. It requires the existing franchise to remain commercially productive.

The most defensible thesis is therefore based on measured positive physical growth, moderate sustainable price/mix, progressive emerging-market monetization, continued portfolio relevance, healthy bottler reinvestment and effective transmission of system economics into KO earnings and cash flow.

The principal uncertainty is whether Coca-Cola can transition from the price/mix-led growth of the recent inflationary period toward this more balanced model. The remainder of the Commercial Due Diligence assessment tests the evidence supporting each of these conditions.

TEAM & LEADERSHIP ASSESSMENT

Leadership & Governance

The Coca-Cola Company operates with an experienced institutional leadership structure rather than a founder-led management model. This reduces conventional key-person dependence, but leadership remains important. Since, management must coordinate a complex global system of operating units, independent bottlers and commercial partners while allocating capital across brands, geographies and system capabilities.

Henrique Braun became Chief Executive Officer (CEO) on March 31, 2026, succeeding James Quincey, who transitioned to Executive Chairman after approximately nine years as CEO. Braun represents an internal succession rather than an external strategic reset and brings extensive operating experience across Latin America, Greater China and other international markets relevant to Coca-Cola's future growth.

The transition preserves strategic continuity through Quincey's role as Executive Chairman while transferring operating responsibility to Braun. The Board also separated the Chairman and CEO positions. For underwriting purposes, the succession is therefore better viewed as a continuity transition with new operating leadership than as a change in Coca-Cola's underlying strategic direction.

Management Track Record

The preceding management period materially reshaped Coca-Cola's economic model. Under Quincey, the company continued portfolio expansion while further re-franchising capital-intensive bottling operations, increasing the relative importance of concentrate, brand and franchise economics.

The re-franchising strategy is particularly relevant to the investment case. The re-franchising program represents the most important structural capital-allocation achievement of the period, materially increasing Coca Cola's parent-company capital efficiency while shifting greater physical investment requirements to independent bottlers.

Management also navigated significant disruption across the pandemic, reopening, commodity inflation and foreign-exchange volatility while demonstrating substantial ability to protect revenue through price/mix. The next leadership test is different: restoring a more balanced combination of transaction and unit-case growth with sustainable price/mix and healthy bottler economics.

Braun's international operating background is relevant to this challenge, particularly in markets where affordability, distribution and physical consumption growth are important. His effectiveness as CEO should nevertheless be assessed through commercial outcomes rather than prior experience.

Strategic & Commercial Execution

The current leadership team inherits a commercially strong franchise but a more demanding growth equation. Management's principal execution challenge is to transition Coca-Cola from the price/mix-heavy growth environment of recent years toward a more balanced combination of physical growth and sustainable monetization while preserving competitive position and bottler economics.

This requires different execution across markets and categories, but the leadership test is ultimately observable through outcomes: transaction and unit-case growth, sustainable price/mix, market-share performance, emerging-market monetization and continued bottler investment capacity.

Capital Allocation

Management's capital-allocation record should be assessed primarily through the continued productivity of the franchise rather than acquisition activity alone. Re-franchising materially reduced Coca-Cola's direct capital intensity, while selective M&A broadened the portfolio.

For underwriting purposes, the principal capital-allocation test is whether investment in brands, distribution and system capabilities generates attractive incremental returns while maintaining balance-sheet and shareholder-distribution discipline. Coca-Cola does not require transformative M&A to support the core investment thesis. Management describes resource allocation increasingly at the country-category level, with investment intensity differentiated according to competitive position and expected return; this is directionally consistent with the report's emphasis on incremental economics rather than portfolio breadth alone.

Bottler-System Leadership & Alignment

Managing the bottling system is one of Coca-Cola leadership's most economically important responsibilities. Management must coordinate global brand and commercial priorities while preserving sufficient bottler returns and investment capacity to support local manufacturing, distribution and execution. Coca-Cola and bottler objectives are economically aligned but not identical, making continued system coordination an important management capability.

Quincey's continued role as Executive Chairman provides continuity in bottler relationships, while Braun's leadership should be monitored for evidence that strategic continuity is accompanied by continued system alignment as Coca-Cola seeks to restore physical growth.

Leadership Transition & Governance Risk

Conventional key-person risk is limited by Coca-Cola's institutional depth and internally developed succession. The more relevant governance issue is clarity of authority between Braun as CEO and Quincey as Executive Chairman. There is no public evidence of conflict, but effective governance requires sufficient operating autonomy for Braun while preserving appropriate Board oversight and strategic continuity. The transition should therefore be monitored as an execution variable rather than treated as a material thesis risk on current evidence.

Leadership Underwriting Framework

Leadership Issue	Current Assessment	What to Monitor
CEO succession	Internal transition with strategic continuity	Braun's operating autonomy and execution
Commercial execution	Strong monetization track record; physical-growth challenge remains	Sustained transaction and unit-case growth alongside moderate price/mix
Bottler alignment	Core management capability	Bottler returns, cash generation, capex and system investment
Capital allocation	Re-franchising materially improved Coca-Cola's capital efficiency	Incremental returns, portfolio discipline and M&A
Governance	Institutional structure; Chairman/CEO roles separated	CEO/Executive Chairman role clarity

PRODUCT & PORTFOLIO ASSESSMENT

Portfolio Overview

Coca-Cola operates a broad beverage portfolio, but its economics remain anchored in sparkling soft drinks. Sparkling beverages represented approximately 69% of FY2025 system unit-case volume, with Trademark Coca-Cola alone accounting for approximately 47%. The portfolio also spans water, sports, coffee, tea, juice, dairy/plant-based beverages and energy participation. The investment question is therefore not whether Coca-Cola is diversified across beverage categories, but whether portfolio evolution can protect and extend the economics of the core franchise as consumer preferences and consumption occasions change.

Core Sparkling Franchise

Sparkling soft drinks remain the portfolio's economic foundation and the principal source of Coca-Cola's global brand strength. The underwriting issue is therefore not whether the company can diversify away from sparkling, but whether it can preserve the category's economic productivity as mature-market consumption, affordability and health preferences evolve. Continued relevance increasingly depends on Coca-Cola adapting the core franchise to changing health preferences and consumption occasions while preserving brand strength and attractive economics.

Zero Sugar and Portfolio Adaptation

Zero and low-sugar products provide an important mechanism for adapting established trademarks to changing consumer preferences and health-related pressures without requiring Coca-Cola to rebuild brand equity or distribution from scratch. Coca-Cola Zero Sugar grew approximately 14% in FY2025 across all geographic operating segments, while low and no-calorie products represented approximately 31.4% of system volume compared with 29.9% in 2023.

The principal underwriting gap is incrementality. Public disclosures do not establish how much zero-sugar growth represents new consumption, retention of consumers who might otherwise leave the franchise, premiumization or substitution from full-sugar products. Zero sugar should therefore be viewed primarily as evidence of portfolio adaptability and franchise defense, with incremental growth credit dependent on stronger evidence of net additional consumption and economics.

Hydration, Sports, Coffee and Tea

These categories extend Coca-Cola into consumption occasions outside traditional sparkling beverages and provide exposure to hydration, functionality and away-from-home demand. Their strategic relevance is clear, but category participation should not be confused with equivalent economic attractiveness: competitive position, brand strength, route-to-market requirements, revenue per case and Coca-Cola value capture differ materially. The underwriting requirement is economically productive participation.

Juice, Value-Added Dairy and Plant-Based Beverages

These categories provide portfolio diversification but currently offer less consistent physical-growth evidence than the strongest parts of the portfolio; system unit-case volume declined approximately 2% in FY2025. Individual assets may remain attractive, but the category should not currently be treated as a broad-based portfolio growth engine. Coca-Cola has also selectively entered alcohol ready-to-drink beverages through brand partnerships and extensions. The category broadens consumption occasions but remains an emerging portfolio adjacency and does not currently warrant material standalone credit in the investment thesis.

Energy and Strategic Partnerships

Coca-Cola participates in the energy category principally through its strategic relationship with Monster Beverage rather than through full ownership of the leading platform. The relationship broadens system exposure to energy and can strengthen bottler route economics, but the economic value accruing to KO differs from that generated by wholly owned Coca-Cola trademarks.

Energy therefore illustrates an important portfolio principle: category exposure, Coca-Cola system participation and economic capture are not equivalent.

Innovation and Brand Development

Product innovation can support consumer engagement, package architecture and new consumption occasions, but launch activity itself is not evidence of value creation. The relevant measures are sustained consumer adoption, incremental transactions, revenue per case and attractive economics after cannibalization and commercialization costs. Established-brand extensions can carry lower commercial risk than building entirely new trademarks because they leverage existing consumer awareness, distribution and bottler infrastructure. However, additional SKUs (Stock Keeping Units) can also create manufacturing, inventory and shelf complexity, making incremental economics more important than launch volume.

Portfolio Assessment — Investment Implications

Coca-Cola's portfolio does not require wholesale transformation for the investment thesis to remain intact. The core sparkling franchise remains economically central, while zero-sugar products provide the clearest evidence that established brands can adapt to changing consumer preferences. Adjacent categories broaden consumption occasions, but their investment relevance depends on competitive position, scale and Coca Cola specific economics rather than category growth alone. The principal portfolio risk is therefore a failure to adapt the core franchise while allocating capital and system resources toward adjacencies that do not generate comparable economic returns.

The investment case therefore depends on Coca-Cola protecting and adapting the core franchise while extending the system selectively into additional occasions capable of generating attractive incremental economics.

Portfolio Underwriting Matrix

Portfolio Area	Strategic Role	Evidence	Principal Underwriting Question
Core sparkling	Economic foundation	Scale, brands, global relevance	Can economic productivity remain durable as preferences evolve?
Zero sugar	Defend and extend core	Strong growth; rising portfolio mix	How much growth is incremental versus substitution/retention?
Hydration / sports	Expand consumption occasions	Established participation	Can participation generate attractive Coca-Cola economics?
Coffee / tea	Occasion expansion	Selective positions	Can positions achieve sufficient scale and returns?
Juice / dairy / plant-based	Diversification / selective growth	Mixed aggregate volume; stronger individual assets	Can growth improve without diluting portfolio returns?
Energy	High-growth strategic adjacency	Monster relationship	How much category value ultimately accrues to Coca-Cola?

MARKET STRUCTURE & INDUSTRY DYNAMICS

Market Overview

Coca-Cola operates across a large but heterogeneous global non-alcoholic beverage market in which growth, pricing, consumption frequency, competitive intensity and route-to-market economics vary materially by category and geography. The relevant investment opportunity is therefore not a single global beverage-market growth rate, but Coca-Cola's ability to capture economically attractive portions of category and transaction growth while navigating mature-market consumption, emerging-market affordability and changing consumer preferences.

The market is best viewed through two broad economic lenses: developed markets, where growth increasingly depends on value per case and consumption-occasion expansion. While the other being emerging markets, where lower per-capita consumption provides greater physical-growth runway but generally lower near-term monetization and greater macroeconomic risk.

Developed Markets — Monetization Over Physical Expansion

Developed markets such as North America and Western Europe combine high beverage penetration and comparatively attractive revenue per case with limited structural physical-consumption growth. Growth therefore depends more heavily on value per transaction, category and channel mix, convenience, premium occasions and share gains than on substantial increases in total beverage consumption.

This creates attractive monetization potential but also greater sensitivity to affordability, consumer elasticity, health-related preferences and regulation. Developed-market growth should therefore be underwritten primarily as a value-per-case and consumption-occasion opportunity rather than a high-volume-growth opportunity.

Emerging Markets — Transactions Before Monetization

Emerging markets provide Coca-Cola's strongest structural runway for physical-consumption growth. Lower per-capita consumption, population growth, urbanization, expansion of formal retail, increasing cold availability and rising incomes can support additional beverage transactions over time.

The opportunity is economically more complex than the volume potential suggests. Consumer purchasing power is generally lower, affordable price points and smaller or returnable packages are more important, currency and inflation can distort reported growth, and additional unit cases may initially generate materially less revenue and profit than equivalent volume in developed markets.

The investment opportunity is therefore a progression: build transactions → increase availability and brand preference → improve revenue per case as markets develop.

Emerging-market volume is attractive only if Coca-Cola can ultimately convert physical growth into a durable system and Coca-Cola's economics.

Category Dynamics

Beverage-category growth is increasingly heterogeneous. Traditional sparkling remains a large and economically important global category but faces greater maturity, health-related pressure and regulatory scrutiny in developed markets, while lower-penetration markets retain greater physical-growth potential. Zero and low-sugar products provide an important adaptation pathway within the category.

Outside sparkling, structural opportunities exist across hydration, sports and functional beverages, energy, coffee, tea and selected nutrition-oriented products, but category growth does not imply equivalent economic

attractiveness. Competitive intensity, brand differentiation, manufacturing and distribution requirements, price points and value capture vary materially.

The relevant industry conclusion is therefore not that Coca-Cola must migrate toward whichever categories grow fastest. Market attractiveness depends on the interaction between category growth and the company's ability to capture that growth at attractive economics.

Health & Consumer Preference

Health-related preferences and public-policy intervention are creating structural pressure on traditional full-sugar beverages in many markets. Sugar taxation, labeling requirements, marketing restrictions and changing consumer preferences increase incentives for beverage companies to reformulate products, expand reduced- and zero-sugar offerings and adjust package sizes.

These forces do not necessarily imply declining overall beverage economics. They can shift consumption across formulations, packages and categories rather than eliminate demand. However, adaptation may introduce additional product complexity and can alter category economics.

For Coca-Cola, the structural question is therefore whether consumer migration can be accommodated while preserving consumption occasions, brand relevance and attractive system economics.

Affordability & Consumer Purchasing Power

Affordability has become increasingly important following several years of substantial beverage pricing and broader consumer inflation. The constraint is particularly relevant for lower-income consumers and emerging markets, where relatively small changes in absolute price can materially affect purchase frequency or package choice.

This does not establish a uniform global elasticity relationship. Consumer response varies by income, geography, channel, package and competitive environment. However, the industry increasingly requires manufacturers and bottlers to balance revenue per case against transaction growth rather than assume that pricing can be passed through indefinitely.

Affordability therefore acts as a constraint on both mature-market monetization and emerging-market penetration.

Route-to-Market Structure

Beverage economics are highly dependent on local route-to-market structures. Modern retail, traditional trade, convenience, foodservice and immediate-consumption channels differ materially in purchasing behavior, customer concentration, refrigeration requirements, package mix and revenue per transaction. Emerging markets can require highly fragmented physical distribution, while developed markets often involve greater retailer bargaining power and more concentrated customer relationships.

This makes local distribution capability and channel execution important determinants of whether underlying beverage demand can be converted into economically attractive transactions.

Market Attractiveness Framework

Market Dynamic	Structural Direction	Underwriting Relevance
Developed-market consumption	Mature physical demand	Growth increasingly depends on value per case, occasions and share
Emerging-market consumption	Greater physical runway	Transactions attractive, but monetization and FX (foreign exchange) matter
Core sparkling	Mature in many developed markets; greater runway elsewhere	Economic durability more important than headline category growth
Zero/low sugar	Increasing relevance	Supports adaptation to health and regulatory pressure
Adjacencies	Uneven structural growth	Category growth must translate into attractive economics
Affordability	Increasing constraint	Limits pricing and influences package/transaction economics
Health & regulation	Persistent structural pressure	Requires portfolio and formulation adaptation
Route-to-market	Highly market-specific	Distribution structure affects availability, cost and value capture

Market Structure & Industry Dynamics — Investment Implications

The global non-alcoholic beverage market remains structurally attractive for Coca-Cola, but the opportunity is heterogeneous rather than driven by a single category or global growth rate. Developed markets offer comparatively high value per case but limited physical-growth runway, while emerging markets offer stronger transaction-growth potential with lower near-term monetization and greater affordability, currency and execution risk.

Coca-Cola's long-term opportunity therefore depends on operating two complementary growth engines: protecting and increasing the economic productivity of consumption in developed markets while expanding transactions and progressively improving monetization in emerging markets. The relevant investment question is not whether global beverage consumption grows, but whether Coca-Cola can capture economically attractive growth as categories, consumer preferences and geographies evolve.

COMMERCIAL ASSESSMENT

Commercial Performance Overview

Coca-Cola's recent commercial performance demonstrates the strength of its brands and revenue-management capabilities, but also reveals the principal question facing the medium-term investment thesis: how much growth can be sustained as exceptional price/mix normalizes and greater responsibility shifts back toward transactions and unit-case volume?

From FY2021 through FY2025, Coca-Cola generated strong organic revenue growth despite substantial variation in the contribution from physical volume and price/mix. The initial post-pandemic recovery produced strong unit-case growth, while FY2022–FY2024 increasingly relied on price/mix. By FY2025, organic revenue grew approximately 5%, comprising approximately 4% price/mix and 1% concentrate-sales growth, while worldwide system unit-case volume was approximately flat.

Period	Organic Revenue Growth	Price/Mix	Concentrate Sales	Unit-Case Volume
FY2021	+16%	+6%	+9%	+8%
FY2022	+16%	+11%	+5%	+5%
FY2023	+12%	+10%	+2%	+2%
FY2024	+12%	+11%	+2%	+1%
FY2025	+5%	+4%	+1%	~0%
Q1 2026	+10%	+2%	+8%*	+3%
Q2 2026	+6%	+2%	+4%	+5%

*Q1 2026 concentrate-sales growth benefited from six additional selling days relative to Q1 2025 and was partially offset by concentrate-shipment timing. Unit-case volume is calculated on an average-daily-sales basis and was therefore not affected by the calendar variance. Q1 concentrate-sales growth should consequently not be interpreted as a like-for-like measure of underlying physical demand.

Coca-Cola's growth composition changed materially between FY2021 and FY2025. The post-pandemic recovery initially combined strong physical growth with pricing, but FY2023–FY2024 became increasingly price/mix-led as unit-case growth moderated. FY2025 marked the clearest normalization, with approximately flat global unit-case volume and materially lower price/mix.

H1 2026 showed a more balanced pattern, with unit-case growth of approximately 3% in Q1 and 5% in Q2 alongside approximately 2% price/mix in each quarter. This is directionally supportive of the investment thesis, but the period is too short. That is affected by factors including timing, weather, events and comparables to establish a normalized medium-term trend.

Following Q2 2026, management raised and narrowed its FY2026 organic revenue outlook to approximately 5%, from the previous 4–5% range. Management also raised comparable EPS growth guidance to 9–10% and comparable currency-neutral EPS (earning per share) growth excluding acquisitions and divestitures to 7–8%. The revised outlook provides a useful management reference point rather than an independently underwritten medium-term growth assumption.

2026 Management Outlook

Following Q2 2026, management raised its FY2026 organic revenue growth outlook to approximately 5%, at the upper end of its previous 4–5% range. The outlook provides a useful reference point rather than an independently underwritten assumption. H1 2026 provides improving evidence of a more balanced growth composition, but should not be treated as confirmation of the normalized Base Case. Q1 benefited from calendar timing, including six additional selling days, while management's approximately 5% full-year organic revenue outlook implies a materially slower growth rate in H2 than the headline H1 performance. The Base Case therefore continues to require evidence that positive physical growth can persist alongside moderate price/mix after timing effects and unusually favorable comparisons normalize.

Importantly, the shift toward a more volume-led growth composition did not coincide with immediate margin deterioration. Q2 2026 comparable operating margin increased to 35.6% from 34.7% in Q2 2025. One quarter does not establish normalized margin durability, but the result provides preliminary evidence that lower headline price/mix can coexist with resilient parent-company profitability.

Physical Demand & Concentrate Transmission

System unit-case volume is the clearest disclosed measure of physical finished-beverage activity across the wider Coca-Cola system, while concentrate-sales volume is more directly connected to KO's upstream concentrate economics. The two measures can diverge because of bottler inventory movements, shipment timing, production patterns and re-franchising.

The deceleration in unit-case growth from approximately 5% in FY2022 to 2% in FY2023, 1% in FY2024 and approximately flat in FY2025 therefore warrants attention. The commercial assessment should focus on whether Coca-Cola can restore sustained transaction-led growth rather than simply whether reported revenue continues to increase.

Pricing Power & Growth Quality

Coca-Cola demonstrated substantial pricing power during the inflationary period, but reported price/mix should not be interpreted as pure structural pricing. The measure also reflects package, channel, product and geographic mix, while unusually high inflation in certain markets contributed materially to reported growth during parts of FY2022–FY2024.

The evidence therefore supports meaningful pricing power, but not an assumption that the double-digit price/mix achieved during FY2022–FY2024 represents a sustainable structural run rate. A more credible medium-term commercial model combines moderate price/mix with positive physical growth and disciplined revenue growth management.

Management indicated that approximately half of FY2024's headline price/mix contribution came from highly inflationary markets, implying a materially lower underlying contribution when those markets are excluded.

Affordability & Elasticity

The principal constraint on further monetization is affordability. Management commentary through 2025 and 2026 increasingly acknowledged uneven consumer conditions and pressure on lower-income consumers.

Public disclosure does not provide sufficient evidence to construct reliable global elasticity curves or quantify trade-down across income groups, packages and channels. The available evidence does not establish that pricing caused the deceleration in global unit-case growth, because weather, income, inflation, competition, availability, innovation, channel mix and local market conditions also affect consumption. However, the combination of substantial historical price/mix and slower physical growth increases the importance of affordability in the forward underwriting case.

Management's Commercial Growth Framework

Coca-Cola frames its topline growth strategy around four interconnected capabilities: Marketing, Innovation, Revenue Growth Management (RGM) and Integrated Execution. The framework is broadly consistent with the commercial drivers assessed in this report: consumer recruitment and brand relevance create demand; innovation expands products, packages and occasions; RGM seeks to balance transactions and revenue per case; and integrated execution converts these strategies into physical availability and customer-level performance. The investment question is not whether these capabilities exist, but whether their combined execution produces sustained incremental transactions and attractive economics.

Revenue Growth Management & Price-Pack Architecture

Coca-Cola's commercial response to a more constrained pricing environment increasingly depends on revenue growth management rather than uniform price increases. RGM combines selective pricing with package, channel, product and promotional decisions to balance transaction growth, affordability and revenue per case.

Price-pack architecture allows the system to preserve affordable entry points through smaller or returnable packages while monetizing convenience, premium and immediate-consumption occasions where consumer willingness to pay is greater.

RGM should therefore be assessed as a mechanism for optimizing the relationship between transactions and revenue per case, not as an unlimited pricing lever.

Geographic Commercial Performance

Coca-Cola's geographic mix produces substantially different economics across regions.

Region	Commercial Character	Current Underwriting Issue
North America	High revenue/profit per case; mature physical consumption	Preserve transactions while monetizing mix and occasions
Latin America	High system volume; strong franchise infrastructure	Maintain affordability while monetizing a large transaction base
EMEA	Highly heterogeneous: mature Europe + higher-growth emerging markets	Balance European value/case with physical growth elsewhere
Asia Pacific	Large physical-growth runway; lower monetization in many markets	Convert transaction growth into improving revenue/case without undermining affordability

The geographic mix is economically asymmetric:

- North America generates a disproportionately high share of revenue/profit relative to cases.
- Emerging markets can drive physical growth without equivalent near-term revenue contribution.
- APAC's Q2 2026 combination of strong volume and negative price/mix is a particularly useful example of this trade-off.

The divergence is also visible across H1 2026. Latin America generated approximately 2% unit-case growth, 7% organic revenue growth and 7% comparable currency-neutral operating-income growth, while Asia Pacific generated approximately 7% unit-case growth but only 3% organic revenue growth and an 8% decline in comparable currency-neutral operating income. The comparison does not establish country-level profitability,

but it reinforces that the economic quality of incremental physical growth differs materially across Coca-Cola's emerging-market-heavy operating segments.

Asia Pacific illustrates the monetization trade-off particularly clearly: strong physical growth can coexist with unfavorable price/mix where growth is concentrated in lower-priced markets, packages or channels. This reinforces the need to underwrite emerging-market cases separately from mature-market cases rather than assume equivalent economics.

Emerging-Market Commercial Execution

Coca-Cola's emerging-market opportunity depends on converting distribution expansion and affordable entry points into recurring transactions, then progressively improving revenue per case as markets develop. Current evidence supports substantial physical scale across markets such as Mexico, Brazil, China and India, but public disclosure does not provide sufficient market-level economics to determine how quickly incremental cases translate into attractive Coca Cola returns.

The relevant commercial indicators are therefore not unit cases alone, but the interaction among transactions, revenue per case, package mix, currency, bottler economics and concentrated demand.

Commercial Value-Creation Opportunities

Commercial Lever	Economic Mechanism	Principal Evidence Gap
Zero sugar	Retain/recruit consumers; defend core occasions	Incrementality vs cannibalization
RGM / price-pack	Balance transactions and revenue per case	Market-level elasticity and mix economics
Distribution expansion	Increase availability and transactions	Incremental returns by market
Cold equipment	Improve immediate-consumption availability and value/serving	Cooler-level ROI / productivity
Emerging-market penetration	Add recurring transactions	Revenue/case and Coca-Cola capture over time
Away-from-home / channel mix	Higher-value occasions and convenience	Incremental margin contribution
Portfolio development	Expand consumption occasions	Incremental economics vs complexity
Re-franchising / system optimization	Improve parent-company capital efficiency	Bottler-system return sustainability

Distribution & Cold Availability

Coca-Cola's installed distribution and cold-equipment base provides a substantial platform for incremental commercial productivity. Additional outlet penetration and strategically deployed cold equipment can increase availability, immediate-consumption transactions and revenue per serving without requiring creation of new brands.

Public disclosure, however, provides limited evidence on incremental returns from cooler deployment, outlet expansion and other system investments. The commercial opportunity is credible, but investment-level underwriting would benefit from market-level productivity and payback data.

Commercial Assessment — Investment Implications

Coca-Cola demonstrated substantial ability to protect revenue and economics through the inflationary period, but the composition of growth became increasingly dependent on price/mix as physical growth moderated. FY2025 therefore represents an important transition point for the commercial thesis.

Early 2026 performance provides encouraging evidence that Coca-Cola can generate stronger unit-case growth alongside more moderate price/mix, but the period is not yet sufficient to establish a normalized trend. The Base Case should therefore require neither a return to unusually high global unit-case growth nor continued double-digit price/mix. It should require evidence that the franchise can generate positive physical growth alongside sustainable monetization.

The most important commercial indicators are consequently the interaction among transactions, unit cases, concentrate sales, price/mix, affordability, geographic and package mix, and bottler economics. The commercial evidence supports a durable franchise, but the burden of proof has shifted increasingly toward demonstrating the quality and sustainability of physical growth.

COMPETITIVE POSITIONING

Competitive Position Overview

Coca-Cola's competitive position is built on the interaction of brand equity, global scale, bottling infrastructure, route-to-market density, cold availability, customer relationships and commercial execution. No single element fully explains the durability of the franchise.

Consumer switching costs are low and Coca-Cola does not benefit from contractual consumer lock-in. Its competitive advantage instead arises from repeatedly converting consumer preference into transactions through a combination of brand strength and physical commercial infrastructure.

Brand pull → physical availability → customer access → local execution → transactions → system economics
The resulting advantage is best characterized as a system moat rather than merely a trademark moat.

Recent performance provides some supporting evidence that Coca-Cola's competitive position remains intact. Management reported gaining value share in total non-alcoholic ready-to-drink beverages during Q2 2026, with gains in North America, EMEA and Latin America partly offset by a value-share loss in Asia Pacific. Coca-Cola did not disclose the magnitude or underlying measurement provider, so the result should be treated as a management-reported indicator rather than independently verified evidence of market-share improvement.

Brand Equity

Brand equity remains Coca-Cola's most visible competitive advantage. Trademark Coca-Cola represented approximately 47% of worldwide system unit-case volume in FY2025, demonstrating the continued scale of consumer demand concentrated around the core franchise.

Brand strength supports consumer preference, retailer willingness to allocate shelf and refrigeration space, marketing efficiency, price realization and lower-risk extension into new variants and packages. However, brand equity is not self-sustaining: its economic value depends on continued relevance, availability and investment. Coca-Cola therefore possesses a substantial installed-demand advantage, but the value of that advantage is realized only when the wider system converts consumer preference into transactions.

Route-to-Market & Distribution Density

Coca-Cola's brand advantage is reinforced by a physical route-to-market system capable of converting consumer preference into product availability across highly diverse markets. The system combines global brand scale with local bottling, distribution and customer execution.

This capability is particularly difficult to replicate in fragmented trade, where serving large numbers of small outlets economically requires route density, local relationships, refrigeration, package flexibility and frequent execution. A competitor does not merely need a recognizable beverage brand; it must achieve comparable physical availability at commercially viable economics.

Distribution therefore acts as a multiplier of brand equity: the brand creates demand; route-to-market determines how consistently the system can monetize it.

Commercial Embedding & Customer Relationships

Coca-Cola's commercial durability does not depend on contractual customer lock-in. Retailers and foodservice customers can change assortment, shelf space and promotional support. The advantage instead lies in the economic relevance of Coca-Cola products to customers: consumer demand, transaction frequency, established merchandising, refrigeration and system support make the portfolio commercially valuable to carry.

This creates commercial embedding rather than contractual switching costs. Its durability therefore depends on Coca-Cola continuing to generate attractive customer economics and consumer demand.

Cold Availability & Physical Presence

The Coca-Cola system reaches approximately 33M customer outlets and operates an estimated 14M pieces of cold-drink equipment. This installed infrastructure is particularly relevant to immediate-consumption beverages, where refrigeration, visibility and availability at the point of purchase can materially affect transaction probability and revenue per serving.

Public information does not allow standardized returns on cold equipment to be quantified across markets. Nevertheless, reproducing comparable physical presence would require substantial capital, customer access and time, making installed cold availability an important component of Coca-Cola's competitive infrastructure.

Bottling Network as Competitive Infrastructure

Coca-Cola's independent bottling network is itself an important competitive asset. The five largest independent bottlers account for approximately 44% of worldwide system unit-case volume, while approximately 20 bottlers represent roughly 80%. These partners provide substantial locally embedded manufacturing, distribution, customer and commercial capabilities.

Replicating this architecture globally would require either significant owned infrastructure or relationships with partners capable of providing comparable local reach. The competitive strength is nevertheless conditional: bottlers are independent economic entities, and sustained underinvestment caused by inadequate returns could gradually weaken the system.

A healthy bottling network reinforces the moat; an economically strained network can erode it.

Scale Economies

Coca-Cola's global scale supports marketing efficiency, procurement, innovation, customer relationships and system investment. New products and commercial capabilities can be deployed through established bottling and customer networks rather than requiring entirely new infrastructure. Scale also generates substantial commercial data across markets, packages, channels and outlets.

Scale is not automatically productive, however; global complexity can slow decision-making or produce inconsistent local execution. The competitive advantage therefore depends on combining global resources with effective local adaptation.

Coca-Cola versus PepsiCo

Dimension	Coca-Cola	PepsiCo
Core architecture	Global beverage brand/concentrate/franchise system	Snacks + beverages; greater owned manufacturing/DSD (Direct Store Delivery) exposure
Global sparkling	Deep global brand and bottling reach	Significant but different geographic/system position
North American customer leverage	Strong beverage/fountain position	Benefits from beverage + snack portfolio and DSD

Dimension	Coca-Cola	PepsiCo
Sports / hydration	Powerade, BODYARMOR and other positions	Strong Gatorade position
Energy	Primarily strategic system exposure through Monster	Owned/partner portfolio including Rockstar and others
International execution	Extensive independent bottling architecture	Mix of owned and franchise models
Capital model	Comparatively asset-light at parent level	Greater consolidated operating infrastructure

The comparison is therefore not simply between two cola brands. Coca-Cola's competitive architecture is particularly dependent on global beverage brand strength and franchise distribution, while PepsiCo combines beverages with snacks and greater direct route-to-market capabilities in key markets. Relative performance will consequently vary by category, geography and channel.

Competitive Asset	Durability	Why It Matters	Principal Vulnerability
Global trademarks	High	Consumer pull and recognition	Changing preferences / relevance
Route-to-market density	High	Converts demand into availability	Bottler underinvestment
Cold equipment / physical presence	High	Immediate-consumption access	Capital intensity / productivity
Bottling network	High but conditional	Local infrastructure and execution	Bottler economics
Customer relationships	Medium–High	Shelf, foodservice and occasion access	Retailer bargaining power
Marketing scale	Medium–High	Reinforces brand relevance	Requires continued spending
Portfolio breadth	Medium	Expands occasions/customer relevance	Complexity / weaker category positions
RGM / analytics / digital	Medium	Improves commercial productivity	Increasingly replicable

Potential Moat Erosion

Coca-Cola's competitive position is substantial but not immutable. The moat could weaken if consumer relevance deteriorates, affordability reduces transaction frequency, competitors gain share in important

categories, retailers increase bargaining power, or bottler economics constrain investment in availability and execution.

The principal risk is cumulative rather than binary. Coca-Cola is unlikely to lose its competitive position through a single disruptive event; erosion would more likely occur through gradual weakening of brand relevance, physical availability, customer economics and system reinvestment.

Leading indicators should therefore include market share, transactions and unit cases, customer access, cold-equipment productivity and bottler investment capacity.

Recent performance provides some supporting evidence that the competitive position remains intact. Management reported gaining value share in total non-alcoholic ready-to-drink beverages during Q2 2026. As a company-reported market-share measure rather than independently verified share data, this should be treated as supportive rather than conclusive evidence of sustained competitive strength.

Competitive Positioning — Investment Implications

Coca-Cola possesses a substantial competitive advantage, but its durability is better explained by a system moat than by brand equity alone. Consumer pull is reinforced by route-to-market density, cold availability, customer relationships, bottler infrastructure, marketing and local commercial execution. Replicating the trademark alone would not replicate the economics of the system.

The moat is strongest where these capabilities reinforce one another, particularly in core sparkling beverages and markets where fragmented trade, refrigeration and route density make physical execution difficult to reproduce. The principal underwriting question is therefore not whether Coca-Cola has a moat, but whether the system continues converting that advantage into transactions, sustainable monetization and attractive returns for both Coca-Cola and its bottling partners.

FINANCIAL ASSESSMENT
Financial Profile

Metric	FY2025
Net operating revenue	~\$47.9bn
Gross profit	~\$29.5bn
Gross margin	~61.6%
Operating income	~\$13.8bn
Reported operating margin	~28.7%
Comparable operating margin	~31.2%
Operating cash flow	~\$7.4bn
Non-GAAP free cash flow	~\$5.3bn
FCF excluding fairlife contingent payment	~\$11.4bn
Capital expenditure	~\$2.1bn
Management-reported ROIC (Return on Invested Capital)	~23%

Coca-Cola's financial profile reflects a mature global franchise with high parent-company margins, substantial underlying cash generation and comparatively low direct capital intensity. These characteristics are supported by the franchise architecture: Coca-Cola captures high-value brand, concentrate, syrup and selected finished-product economics while independent bottlers fund much of the manufacturing, distribution, working capital and commercial infrastructure required by the wider system.

The financial assessment must therefore distinguish Coca-Cola's financial quality from the economics and capital requirements of the Coca-Cola system as a whole.

Revenue Growth & Financial Translation

Coca-Cola's reported revenue should be interpreted in conjunction with organic growth, concentrate sales, system unit cases and business mix. Re-franchising can reduce consolidated revenue while improving margins and capital efficiency, while inflation, geographic mix and package/channel mix can increase reported or organic revenue without equivalent improvement in underlying physical demand.

Organic revenue growth should not be interpreted as equivalent to reported U.S.-dollar growth or shareholder economics. In FY2025, Coca-Cola reported 5% organic revenue growth but only 2% reported net-revenue growth. Conversely, Q1 2026 reported revenue growth of 12% exceeded organic growth of 10%, reflecting a three-point currency tailwind partly offset by a one-point acquisitions/divestitures headwind; in Q2, reported growth of 7% compared with 6% organic growth, with a two-point currency tailwind partly offset by a one-point acquisitions/divestitures headwind. Currency and structural effects can therefore materially alter the translation of underlying commercial performance into reported Coca-Cola's financial results.

The financial quality of future growth therefore depends less on headline revenue growth than on whether positive physical consumption and moderate price/mix translate into sustainable concentrate economics, operating profit and cash generation.

Emerging-market growth introduces an additional consideration: incremental cases generated in lower-monetization markets may support long-term franchise expansion without contributing the same near-term revenue or operating profit as equivalent growth in mature markets.

Margin Structure & Durability

Coca-Cola's high consolidated margins reflect the economics of its concentrate and franchise model. Concentrate activities allow KO to participate in large volumes of finished-beverage consumption without bearing the full manufacturing, packaging, logistics and working-capital requirements associated with finished products. Finished-product operations generate higher reported revenue but generally carry lower gross margins and greater capital intensity.

Margin movements should therefore be interpreted alongside business mix, re-franchising, geographic mix, currency, commodity effects and price/mix rather than viewed solely as evidence of changes in underlying competitive strength.

The principal forward question is whether Coca-Cola can preserve attractive operating margins as price/mix normalizes and a greater proportion of incremental physical growth potentially comes from lower-revenue-per-case emerging markets.

Geographic Economics

Region	System Unit Cases	Comparable Net Revenue	Comparable Operating Income
North America	~17%	~40%	~36%
EMEA	~30%	~23%	~26%
Latin America	~29%	~13%	~23%
Asia Pacific	~24%	~12%	~13%

Note: The four geographic operating segments do not represent the entirety of consolidated Coca-Cola economics. Bottling Investments is reported as a separate operating segment, while Corporate and other reconciling items also affect consolidated operating income. Geographic segment percentages should therefore not be expected to sum to 100% of consolidated comparable net revenue or comparable operating income.

The disparity demonstrates why unit-case growth cannot be treated as economically uniform. North America contributes disproportionately to Coca-Cola's revenue and operating income relative to physical volume, while emerging-market economics are themselves heterogeneous. Latin America represented approximately 29% of system cases and 23% of comparable operating income in FY2025, whereas Asia Pacific represented approximately 24% of cases but only 13% of comparable operating income. Physical scale therefore does not translate uniformly into KO economics across emerging-market-heavy regions.

This does not make emerging-market growth unattractive. It means the financial model must distinguish physical growth from economic monetization. The long-term value of emerging-market expansion depends partly on whether transaction growth is accompanied over time by improving revenue per case and attractive Coca-Cola value capture.

Cash Flow & Capital Intensity

FY2025 operating cash flow was approximately \$7.4B and reported non-GAAP (General Accepted Accounting Principles) free cash flow approximately \$5.3B. Both were materially affected by the approximately \$6.1B fairlife contingent consideration payment. Excluding that payment, management reported free cash flow of approximately \$11.4B.

Following Q2 2026, management raised its FY2026 free-cash-flow outlook to approximately \$12.4B, comprising approximately \$14.6B of cash from operations less approximately \$2.2B of capital expenditure. The outlook provides an indication of expected normalization, although actual cash conversion remains subject to operating performance, working capital and other cash requirements.

Coca-Cola's approximately \$2.1B of FY2025 capital expenditure is modest relative to the scale of the Coca-Cola system, supporting strong parent-company cash conversion. However, this should not be interpreted as the capital intensity of the entire franchise because independent bottlers fund substantial additional system investment.

Returns on Capital

Coca-Cola reported approximately 23% return on invested capital in FY2025 using management's non-GAAP definition. The figure is consistent with the capital efficiency of an increasingly asset-light parent-company structure, but it should not be interpreted as the return generated on all capital required to operate the Coca-Cola system.

Independent bottlers fund substantial manufacturing, distribution, working capital, refrigeration and local commercial investment. The Coca-Cola Company's ROIC and Coca-Cola system ROIC are therefore not equivalent concepts.

The franchise architecture is itself economically valuable; shifting physical capital requirements to independent partners legitimately improves Coca-Cola's returns. However, those returns are durable only if bottlers also earn sufficient returns to continue supplying the capital required by the system.

Bottler Economics & Financial Dependence

Coca-Cola's asset-light parent-company economics create a corresponding dependence on the financial health of major bottling partners. Because system volume is concentrated among a relatively limited number of large bottlers, deterioration in their margins, leverage, free cash flow or returns on invested capital could constrain manufacturing, distribution and commercial investment even if Coca Cola's consolidated financial statements remained strong.

Bottler financial health is therefore a necessary complement to Coca Cola's reported margins and returns. The relevant monitoring variables are bottler EBITDA (Earning before income tax depreciation and amortization) margins, free cash flow, leverage, capital expenditure, working capital and returns on invested capital.

Major Bottler Financial Health

Bottler	Current Evidence	Underwriting Read
Coca-Cola FEMSA	Q2 revenue +4.7%; volume +3.5%; operating income +9.1%	Financially healthy
CCEP	H1 revenue +6.1% FX-neutral; operating profit +8.1%; FCF €435m; continued significant investment	Financially healthy

Bottler	Current Evidence	Underwriting Read
Coca-Cola HBC	H1 organic revenue +9.6%; comparable EBIT +15.2%; FCF €215.7m despite higher growth capex	Financially healthy
Arca Continental	H1 EBITDA margin 19.7%; net debt/EBITDA ~0.7x; H1 volume +1.7%	Financially healthy
Coca-Cola İçecek	Available evidence indicates improving FCF, but primary-source leverage/capex evidence remains incomplete	Monitor

Current public evidence for the major bottlers reviewed does not indicate a near-term financial constraint on system reinvestment. However, the available evidence is insufficient to establish long-term bottler-system durability across the network, which remains dependent on sustained profitability, cash generation, leverage discipline and reinvestment capacity.

The Bottler-System Durability decision gate is therefore currently assessed as Supported with Monitoring rather than unresolved.

System-to-Coca-Cola Value Capture

Incidence-based concentrate pricing provides a mechanism through which Coca-Cola can participate in improvements in bottler finished-product pricing and transaction economics, but public disclosure does not permit a standardized estimate of the proportion of incremental system value captured by Coca-Cola.

This creates a central financial diligence limitation:

Incremental Coca-Cola system value $\neq$ incremental Coca-Cola earnings.

KO can nevertheless participate directly in selected bottler and strategic-partner economics through equity interests. As of year-end 2025, Coca-Cola reported ownership interests including approximately 28% of Coca-Cola FEMSA, 22% of Coca-Cola HBC, 18% of CCEP and 21% of Monster Beverage. Bottler-level value creation is therefore not necessarily wholly external to Coca-Cola shareholders. The degree of transmission depends on the relevant ownership interest, equity-method earnings, dividends, other commercial arrangements and whether the value created occurs within an entity in which Coca-Cola participates economically.

Additional cases can increase concentrate and syrup demand; improved price/mix can transmit through incidence pricing; stronger bottler economics can support reinvestment and franchise durability; and equity interests can provide additional participation. However, retailer economics, bottler cost savings or other system-level benefits do not automatically accrue to Coca-Cola's shareholders.

Financial underwriting should therefore require a credible transmission mechanism from system activity → Coca-Cola revenue → operating profit → cash flow before assigning incremental shareholder value.

Organic Growth vs. Reported Economics

Organic revenue growth measures underlying commercial performance but should not be interpreted as equivalent to reported U.S. dollar growth or shareholder economics. Foreign-exchange movements, acquisitions/divestitures and structural items can materially affect the translation of local commercial performance into Coca-Cola's reported revenue, earnings and cash flow. This is particularly relevant where

price/mix is elevated by high-inflation markets but currency depreciation offsets part of the economic benefit on translation. Currency should therefore be treated as a material sensitivity around the commercial case rather than evidence, by itself, of underlying franchise strength or weakness.

Key Financial Diligence Questions

Financial Driver	Base Underwriting Question	Principal Sensitivity
Revenue growth	Can positive cases + moderate price/mix sustain organic growth?	Volume stagnation / weaker pricing
Geographic mix	Can emerging-market cases become increasingly monetizable?	Lower revenue/profit per case
Margins	Can high margins persist as growth composition changes?	Mix, FX, inflation, business structure
Cash flow	What is normalized recurring FCF (Free Cash Flow)?	One-offs, working capital, investment
KO capital efficiency	Can high returns persist?	Greater parent-company capital needs
Bottler economics	Can bottlers fund continued system investment?	Margin, leverage and capex pressure
Value capture	How much incremental system value reaches Coca-Cola?	Economics retained elsewhere in system

Management-level diligence should focus particularly on normalized growth-to-margin conversion, incidence-pricing economics, bottler returns and capital requirements, and normalized recurring free cash flow.

Financial Assessment — Investment Implications

Coca-Cola's financial model remains a core strength of the investment thesis. The company converts a substantially larger physical beverage system into high-margin, comparatively capital-efficient parent-company economics, supporting substantial underlying cash generation and attractive reported returns on capital.

The durability of those economics nevertheless depends on factors not fully visible in Coca-Cola's consolidated financial statements. Incremental growth increasingly comes from markets with lower near-term monetization, major bottlers supply much of the capital required by the system, and the allocation of incremental economics between Coca-Cola and its partners is not fully disclosed. The principal financial underwriting question is therefore whether Coca-Cola can sustain moderate organic growth, high margins, strong cash conversion and attractive returns on capital while preserving sufficient bottler economics to fund continued system investment.

SCENARIO ANALYSIS

Scenario Framework

The scenario analysis tests how Coca-Cola's economics could develop under different combinations of physical growth, monetization, geographic mix, system productivity and bottler reinvestment. The scenarios are not intended as point forecasts; they identify the commercial conditions that would strengthen or weaken the investment thesis.

Scenario differentiation should therefore arise from changes in the economic productivity of the Coca-Cola system, rather than arbitrary differences in global beverage-market growth.

Driver	Bear Case	Base Case	Bull Case
Unit cases / transactions	Flat to declining	Modest positive growth	Sustained stronger growth
Price/mix	Increasing trade-off with volume	Moderate and sustainable	Positive alongside stronger physical growth
Developed markets	Weak consumption / greater elasticity	Resilient value per case	Strong mix and occasion productivity
Emerging markets	Cases grow but monetization disappoints	Physical growth + gradual monetization	Strong cases + improving revenue/case
Portfolio	Adaptation largely cannibalistic / weak adjacencies	Core remains resilient; adaptation supports relevance	Incremental profitable occasions expand
Bottler economics	Returns weaken; investment constrained	Sufficient returns support reinvestment	Stronger throughput improves returns/investment
Coca-Cola's margins / FCF	Pressure from mix and weaker operating leverage	Resilient margins and strong normalized FCF	Greater operating leverage and cash growth
System-to-Coca-Cola capture	Incremental system value transmits weakly	Existing capture mechanisms remain effective	Higher cases/mix/productivity clearly translate into Coca-Cola economics

Base Case — Balanced Normalization

The Base Case is fundamentally a normalization thesis. Coca-Cola's established franchise remains commercially durable as growth transitions from the exceptional price/mix environment of recent years toward positive low-single-digit physical growth combined with moderate sustainable price/mix. This is consistent with broadly mid-single-digit organic growth over a normalized medium-term period where physical demand remains positive, affordability is preserved and growth is not dependent on exceptional inflation-related pricing. Margins remain resilient, major bottlers retain sufficient returns to reinvest, and normalized free cash flow remains strong.

The Base Case is fundamentally a normalization thesis. Coca-Cola's established franchise remains commercially durable as growth transitions from the exceptional price/mix environment of recent years toward a more balanced combination of modest positive physical growth and moderate sustainable monetization.

Developed-market economics remains resilient, while emerging markets contribute a greater proportion of incremental cases with gradual rather than immediate improvement in monetization. Bottlers maintain sufficient returns to continue reinvesting, Coca-Cola's high-margin parent-company economics remain intact, and normalized free cash flow remains strong.

Base Case condition:

Measured physical growth + moderate price/mix + progressive emerging-market monetization + healthy bottler reinvestment = durable franchise economics.

Bull Case — System Productivity Accelerates

The Bull Case assumes Coca-Cola's installed commercial system becomes materially more productive while underlying consumer demand remains resilient. Sustained stronger transaction and unit-case growth is achieved without aggressive pricing, emerging-market cases increase alongside improving monetization, and developed-market economics remain resilient.

Greater system throughput improves bottler economics and reinvestment capacity, while KO benefits through higher concentrate demand, favorable mix and operating leverage without materially increasing parent-company capital intensity.

Bull Case condition:

Stronger physical growth + improving monetization + resilient developed-market economics + higher system productivity = stronger operating leverage and cash-flow growth.

Bear Case — Monetization Reaches Its Limits

The Bear Case assumes recent physical-volume weakness reflects more persistent commercial constraints. Affordability and category maturity limit transaction growth, while further pricing increasingly creates a trade-off between revenue per case and physical consumption.

Emerging markets continue generating selected physical growth, but lower-value package and geographic mix, currency effects and weaker monetization limit translation into Coca-Cola's economics. Bottler returns deteriorate sufficiently to constrain reinvestment, weakening the physical system's ability to support renewed growth.

The resulting downside is a negative commercial feedback loop:

weaker transactions → lower system productivity → weaker bottler economics → lower reinvestment → weaker availability → further transaction pressure

Bear Case condition:

Weak physical growth + constrained pricing + poor emerging-market monetization + weaker bottler reinvestment = lower operating leverage and financial pressure.

Treatment of AI

No separately identifiable AI uplift is required in the Base Case. If AI-supported capabilities ultimately produce repeatable improvements in transactions, revenue per case, availability or productivity with demonstrable Coca-Cola's value capture, those benefits should strengthen the relevant underlying Bull Case assumptions rather than be modeled as a standalone "AI premium."

Indicator	Movement Toward Bear	Consistent with Base	Movement Toward Bull
Unit cases / transactions	Persistent flat/negative	Modest positive	Sustained stronger growth
Price/mix	Increasing dependence on price or adverse elasticity	Moderate positive	Positive with stronger cases
Emerging-market monetization	Cases rise but economics remain weak	Gradual improvement	Clear improvement in revenue/case
Developed-market economics	Consumption/mix deteriorate	Resilient	Strong mix/occasion productivity
Bottler economics	Margins/FCF/capex weaken	Stable and sufficient	Stronger returns/reinvestment
Market position	Sustained share/availability deterioration	Stable	Share/availability improvement
Cash generation	FCF weakens structurally	Strong normalized FCF	Stronger operating leverage/FCF

Scenario Analysis — Underwriting Implications

The scenario analysis indicates that Coca-Cola's investment thesis does not require exceptional market growth or continued double-digit price/mix. The central distinction is whether the installed franchise can generate positive physical growth and sustainable monetization while preserving bottler reinvestment and effective Coca-Cola value capture. The Base Case assumes this balance normalizes; the Bull Case reflects higher productivity of the same system; and the Bear Case reflects deterioration in the balance between transactions, monetization and system reinvestment.

KEY RISKS & SENSITIVITIES

Risk Assessment Overview

Coca-Cola's diversification across geographies, categories, channels and consumers makes sudden impairment of the global franchise comparatively unlikely. The more relevant risks are cumulative: deterioration in physical demand, affordability, price/mix, bottler economics, competitive position or system investment can gradually reduce the productivity of the franchise before an obvious decline appears in reported revenue.

The principal underwriting risk is therefore not simply revenue contraction. It is that Coca-Cola continues generating nominal growth while requiring progressively greater pricing, promotional support, unfavorable mix or system investment to sustain that growth.

Risk assessment should therefore focus on the quality and economic productivity of growth rather than headline revenue alone.

Risk	Primary Transmission to Coca-Cola	Thesis Relevance	Key Indicator
Volume / affordability	Lower cases and concentrate demand; weaker pricing flexibility	Core	Unit cases / transactions vs price/mix
Bottler financial health	Lower investment, availability and concentrate demand	Core	Bottler margins, FCF, leverage, capex
Emerging-market monetization / FX	Lower revenue/case and weaker translation	High	Regional cases vs revenue/case; FX
Health / sugar regulation	Mix shift, reformulation, lower full-sugar demand	High	Category trends; regulatory change
Competition / category migration	Share loss, promotion, weaker price/mix	High	Share, category and customer trends
Water / packaging / inputs	Higher bottler cost/capex; operating disruption	Medium–High	Input costs, water exposure, bottler margins
Execution / portfolio allocation	Capital and resources deployed without sufficient incremental economics	Medium–High	Incrementality and returns
Geopolitical / compliance	Market disruption, FX, sanctions, supply-chain effects	Medium	Country-level disruption

Volume, Elasticity and Affordability

The principal commercial sensitivity is whether Coca-Cola can sustain positive physical consumption as exceptional pricing normalizes. Strong brand equity does not eliminate elasticity: consumers can reduce purchase frequency, trade down in package or channel, or shift toward alternatives when absolute transaction prices become too high.

The risk is particularly relevant in emerging markets, where Coca-Cola's strongest physical-growth opportunities often coincide with lower purchasing power. Persistent flat or declining unit cases alongside positive price/mix

would weaken evidence that the franchise can sustain attractive organic growth without relying disproportionately on monetization.

Thesis deterioration signal: sustained weak transactions and unit cases despite normalized pricing and affordability initiatives.

Bottler Economics & Reinvestment

Coca-Cola's asset-light parent-company model creates a corresponding dependence on independent bottlers. If major bottlers earn inadequate returns, experience balance-sheet pressure or reduce capital expenditure, the impact can appear through weaker availability, route-to-market execution, cold-equipment investment and ultimately concentrate demand.

Because a significant proportion of system volume is concentrated among major bottling partners, deterioration in their financial capacity can become a leading indicator of pressure on Coca-Cola's economics even while consolidated financial statements remain comparatively strong.

Thesis deterioration signal: declining bottler margins or free cash flow accompanied by reduced capital expenditure and commercial investment.

Emerging-Market Monetization & Foreign Exchange

Many of Coca-Cola's strongest opportunities for incremental physical consumption are located in markets with lower revenue per case, greater currency volatility and more constrained purchasing power. Strong local unit-case growth therefore does not necessarily translate proportionately into U.S. dollar revenue or profit. The risk is that emerging-market growth increases system cases without producing sufficient improvement in revenue per case or Coca-Cola economic capture to support the financial thesis.

Thesis deterioration signal: strong physical growth accompanied by persistent unfavorable mix, currency pressure and limited progression in revenue or profit per case.

Health, Regulation & Category Migration

Health preferences, sugar taxation, labeling requirements and marketing restrictions create structural pressure on traditional full-sugar beverage consumption. Coca-Cola has significant adaptation capability through zero-sugar products, reformulation, smaller packages and portfolio breadth, but adaptation may preserve the franchise without necessarily creating incremental consumption.

GLP-1 (glucagon-like peptide-1) adoption represents an additional longer-term demand sensitivity if sustained use materially alters calorie consumption or beverage purchasing behavior. Coca-Cola's reviewed public disclosures through Q2 2026 do not identify GLP-1 adoption as a material driver of observed unit-case volume, category consumption or consumer behavior. The issue should therefore currently be treated as a monitoring sensitivity rather than a demonstrated Base Case impairment.

The economic risk is therefore not simply declining full-sugar volume. It is that maintaining consumer relevance requires greater portfolio complexity, promotional support or migration toward categories with weaker economics than the core franchise.

Thesis deterioration signal: sustained weakness in core sparkling without sufficient profitable offset from zero sugar and adjacent categories.

Input, Packaging, Water & Climate Risk

Bottling remains physically intensive even though much of the associated capital and cost sits outside Coca-Cola. Packaging, sweeteners, energy, freight and other input inflation can pressure bottler margins, require additional pricing or reduce investment capacity, while packaging regulation can increase capital requirements and operating complexity.

Water creates a distinct geographic operating risk because beverage production depends on reliable local access. Aggregate system-level replenishment does not eliminate plant- or basin-specific scarcity, permitting or community constraints. Coca-Cola reports that 34% of locations mapped to its high-water-risk 2035 goal individually met or exceeded 100% replenishment in 2025. The company-defined metric indicates progress but also reinforces the importance of assessing water exposure at the local facility and basin level rather than relying solely on aggregate system-level replenishment.

These risks become most material to Coca-Cola when they weaken bottler economics, require consumer price increases or impair product availability.

Competition & Channel Power

Coca-Cola's system moat is substantial, but competitors can erode individual layers of the advantage without displacing the franchise as a whole. Global competitors, local brands, category specialists, private label and powerful retailers can pressure market share, promotional intensity, shelf access and price/mix.

The risk is greater outside categories where Coca-Cola's historical brand leadership is strongest and in channels where customers possess substantial bargaining power.

Thesis deterioration signal: sustained share loss accompanied by greater promotional requirements, weaker price/mix or reduced customer access.

Geopolitical & Compliance Risk

Coca-Cola's global footprint exposes the system to geopolitical disruption, sanctions, trade restrictions, currency controls, regulatory intervention and local supply-chain disruption. Geographic diversification limits dependence on any single market, but country-level events can materially affect local operations and financial translation.

These risks should generally be treated as geographically specific sensitivities rather than a core global thesis driver unless disruption becomes sufficiently widespread to affect system growth or capital allocation.

Execution & Capital Allocation

Coca-Cola must allocate marketing, innovation and system investment across a large portfolio and highly diverse markets. Growth initiatives can consume capital and management attention without generating sufficient incremental transactions or returns, particularly where new products cannibalize established brands or increase system complexity.

Thesis deterioration signal: sustained investment in brands, categories or commercial capabilities without measurable incremental volume, revenue, margin or strategic benefit.

AI Underwriting Risk

AI currently represents an underwriting risk rather than a core business risk. The principal concern is not failure to deploy the technology, but assigning financial value to deployments before establishing incrementality, implementation cost, persistence, scale and KO-specific economic capture.

Expansion of AI activity without corresponding financial evidence should therefore not strengthen the Base Case.

IC Risk Monitoring Dashboard

Indicator	What Deterioration Would Suggest
Unit-case / transaction growth	Demand weakness becoming structural
Price/mix vs physical growth	Increasing dependence on monetization
Regional revenue per case	Weak emerging-market monetization
Market share	Moat/category deterioration
Bottler margins / FCF / capex	Weaker system reinvestment capacity
Zero-sugar / core sparkling mix	Effectiveness of portfolio adaptation
FX / local inflation	Translation and affordability pressure
Regulatory developments	Higher price, cost or category pressure
Normalized Coca-Cola FCF	Financial transmission of commercial conditions

Key Risks & Sensitivities — Investment Implications

Coca-Cola's principal risks do not challenge the existence of the global franchise so much as its future productivity and monetization. The most important sensitivity is the relationship between physical consumption and sustainable price/mix. A prolonged period in which nominal revenue continues growing while unit cases remain weak would reduce the quality of the investment thesis, particularly if maintaining growth requires greater promotional support, unfavorable mix or incremental system investment.

Bottler financial health represents the second major structural sensitivity because Coca-Cola's attractive capital efficiency remains sustainable only while independent partners earn sufficient returns to reinvest. Regulation, category migration, emerging-market currency and monetization, competition, water and input costs create additional pressures, but their investment significance ultimately depends on whether they impair transactions, revenue per case, system reinvestment or Coca-Cola specific value capture.

AI VALUE CREATION ASSESSMENT

AVCA Objective & Strategic Role

Coca-Cola and its major bottling partners have progressed beyond AI experimentation into deployment across commercial execution, revenue growth management, forecasting, supply chain, manufacturing, marketing and enterprise workflows. The investment question, however, is not whether Coca-Cola uses AI. It is:

How much incremental economic value can AI create, how much of that value can be captured by The Coca-Cola Company, and how much should therefore enter the investment case?

Cohres assesses this through:

Screen the claim → Test the claim → Underwrite the claim

Evidence is distinguished between Realised Benefits, Identified Value Opportunities, Expected Annual Potential and Deployment Commitments. Technology deployment is not treated as evidence of economic value without corresponding financial outcomes.

AI is relevant to Coca-Cola's investment thesis but is not thesis-critical. The core investment case remains grounded in brands, consumer demand, bottling infrastructure, distribution, customer relationships and franchise economics. AI's potential role is to improve the productivity of those existing capabilities.

Coca-Cola requires an additional value-capture test because significant AI deployment occurs within independent bottlers:

AI-created system value ≠ bottler value captured ≠ Coca-Cola shareholder value captured.

Screen the Claim

AI Value Pool	Evidence Today	Primary Beneficiary	Coca-Cola Capture Path	Underwriting Treatment
Suggested Order / outlet execution	Reported sales uplift; scaled deployment	Bottler / retailer	Cases, concentrate demand	Most relevant commercial upside; verify
RGM / price-pack / assortment	Real deployments; selected reported outcomes	Bottler + potentially Coca-Cola	Cases + incidence pricing	Credible upside; unquantified
Forecasting / inventory	FEMSA, CCEP, HBC deployments	Primarily bottler	Availability / franchise health	Operational upside only
Manufacturing / energy / maintenance	Measured localized benefits	Primarily bottler	Indirect / equity interests	No direct Coca-Cola credit
Marketing / personalization	Established gen-AI deployment	Coca-Cola / system	Demand / productivity	Option value only
Enterprise GenAI / cloud	Significant deployment commitment	Coca-Cola / system	Internal productivity	No credit without ROI

The screening reveals an important asymmetry: the strongest measured operating evidence often sits in bottler cost and productivity applications, while the clearest potential pathway to Coca-Cola economics lies in commercial applications capable of increasing trademark cases, availability or sustainable revenue per case. Evidence strength and Coca-Cola value capture are therefore not equivalent.

Primary Commercial AI Case

Coca-Cola's Suggested Order capability is the most investment-relevant disclosed parent-company AI application because it has a plausible pathway from AI intervention to incremental trademark cases. The home-developed predictive capability uses variables including historical sales, weather and geolocation-related data to recommend outlet assortment.

Early testing involved approximately 1,000 outlets across three countries and four bottling partners, with management reporting encouraging sales improvements. Subsequent investor materials referenced approximately 4–6% sales uplift, while Coca-Cola has described much broader deployment across millions of Latin American outlets and AI-powered recommendations through Coke Buddy in India.

The commercial mechanism is credible:

better recommendation → better assortment / availability → greater sell-through → higher replenishment → potentially greater concentrate demand

However, public disclosure does not establish the controlled counterfactual, split between volume and price/mix, incremental gross profit, implementation cost, persistence or the proportion of value captured by Coca-Cola.

Underwriting treatment: credible commercial upside; no separately identifiable Base Case earnings credit.

Bottler Operational Evidence

Initiative	Reported Outcome	AVCA Interpretation
Arca pricing / availability analytics	Preliminary 2–3% incremental volume and ~4% incremental profit from pricing optimizer; availability improvements also reported	Promising preliminary commercial evidence; KO capture plausible but unquantified
FEMSA Victoria	~5% improvement in demand forecasting	Real operating benefit; primarily bottler economics
Coca-Cola HBC digital twin	~9% energy reduction on pilot production line	Measured operational benefit; primarily bottler economics
CCEP demand planning	~80% of German SKUs reportedly require no human-touch forecasting	Significant workflow automation; financial value undisclosed

These deployments establish that AI and advanced analytics can create genuine operating value within the Coca-Cola system. They do not establish equivalent value to Coca-Cola shareholders. Lower bottler energy, inventory or logistics costs can improve bottler EBITDA and free cash flow without directly increasing Coca-Cola revenue.

AVCA Assessment

Dimension	Assessment	Underwriting Conclusion
AI Investment Thesis / Strategic Role	Moderate relevance / Low thesis dependency	AI can improve existing system productivity but is not required for the core thesis
Commercial Credibility	High	Multiple use cases address identifiable commercial and operational constraints and have progressed into deployment
Economic Attractiveness	Moderate	Potential value pool is significant, but implementation cost, incrementality and Coca-Cola capture are insufficiently disclosed
Execution Feasibility	Medium–High	Coca-Cola and major bottlers demonstrate deployment capability; scaling across independent bottlers remains the challenge
Competitive Durability	Medium	AI itself is replicable; advantage depends on combining it with proprietary data, distribution and workflow adoption
Investment Risk & Sensitivity	Moderate	Principal risk is over-underwriting deployment before financial value is demonstrated

Economic Underwriting Test

Addressable value pool × AI incremental contribution × deployment coverage × realisation rate × Coca-Cola's economic capture – cost to achieve = potentially underwritable AI value

Public evidence is currently insufficient to populate this equation reliably for any material AI initiative. The principal gaps are incrementality, attribution, implementation and recurring cost, persistence, scalability and Coca-Cola specific value capture.

Coca-Cola Value Capture — Critical Underwriting Test

AI Outcome	Primary Beneficiary	Likely Coca-Cola Transmission
More Coca-Cola cases	Bottler + Coca-Cola	Greater concentrate/syrup demand
Higher sustainable revenue/case	Bottler + potentially Coca-Cola	Incidence-linked economics
Lower manufacturing cost	Bottler	Mainly indirect
Lower inventory / better forecasting	Bottler	Mainly indirect unless availability/cases improve
More efficient routes	Bottler	Indirect unless cases/availability improve

AI Outcome	Primary Beneficiary	Likely Coca-Cola Transmission
Higher retailer turnover	Retailer + bottler	Only if Coca-Cola sell-through increases
Better Coca-Cola marketing / workflow productivity	Coca-Cola	Potentially direct if measurable

Before assigning Coca-Cola financial credit, four conditions should be tested:

1. Does the initiative increase Coca-Cola system cases?
2. Does it sustainably increase revenue per case?
3. Does it strengthen bottler financial capacity and future system investment?
4. Does Coca-Cola contractually or economically participate in the resulting value?

Deployment Commitments

Coca-Cola's five-year \$1.1B Microsoft commitment demonstrates substantial investment in cloud, data and AI-enabled infrastructure, including Azure OpenAI and Copilot. It should not, however, be characterized as a \$1.1B AI investment: public disclosure does not identify the AI-specific share, incremental expenditure, implementation cost or financial return. The commitment therefore represents enabling infrastructure / Deployment Commitment, not evidence of realised AI value.

Generative-AI Marketing

Coca-Cola's generative-AI marketing initiatives demonstrate capability in creative development, localization, personalization and faster content production. Management has emphasized speed and localization rather than material direct cost savings. Public evidence does not establish incremental unit cases, revenue, gross profit or marketing ROI attributable to these initiatives. Underwriting treatment: strategic capability and option value; no separately identifiable earnings contribution.

Underwrite the Claim

AI Value Pool	Evidence Today	Coca-Cola Capture	Base Case Treatment
Suggested Order / outlet execution	Credible commercial evidence; causality incomplete	Potentially direct	No separate credit
AI-enabled RGM / price-pack	Real deployments; selected reported outcomes	Potentially direct	No separate credit
Forecasting / inventory	Demonstrated operating applications	Primarily bottler	Embedded operational upside
Manufacturing / energy / maintenance	Measured localized benefits	Primarily bottler	No direct Coca-Cola credit
Marketing / personalization	Established deployment	Uncertain	Option value only
Enterprise GenAI / Microsoft	Significant commitment	Potential productivity	No credit without measured ROI

Base Case conclusion: No individual AI initiative currently merits a separately identifiable earnings contribution.

AI-related benefits should therefore remain embedded within ordinary commercial and operating assumptions. Greater underwriting credit should be introduced only through the underlying commercial driver cases, revenue per case, margins or productivity that are once repeatable on a Coca-Cola level financial evidence is demonstrated.

Priority AI Diligence Questions

1. Incrementality: What is the controlled incremental impact of Suggested Order and other commercial AI applications on unit cases, revenue per case and gross profit?
2. Economics: What implementation and recurring costs are associated with material AI initiatives, and what are their ROI/payback periods?
3. Persistence & scale: Do reported benefits persist after rollout and replicate across markets, channels and bottlers?
4. Coca-Cola capture: What proportion of incremental value reaches Coca-Cola through concentrate volume, incidence pricing, direct cost savings or equity interests?
5. Failures: Which initiatives have failed, been discontinued or failed internal return thresholds?

Overall AVCA Opinion

Coca-Cola has progressed beyond AI experimentation, with credible deployment across commercial execution, forecasting, RGM, manufacturing, supply chain and marketing and selected measurable operating benefits. The principal underwriting gap is financial attribution rather than technological credibility.

Conviction is highest in commercial applications capable of increasing trademark cases, availability or sustainable revenue per case. Operational applications within independent bottlers can also create genuine system value, but much of the immediate benefit may accrue to the bottler rather than Coca-Cola.

Cohres therefore does not underwrite a separately identifiable AI earnings uplift in the Base Case. AI should be treated as credible execution upside and strategic optionality until repeatable Coca-Cola level financial materiality is demonstrated.

IC CONSIDERATIONS & INVESTMENT CONCLUSION

Overall Investment Assessment

Coca-Cola remains a commercially advantaged global beverage franchise supported by brand strength, a difficult-to-replicate bottling and distribution system, high-margin parent-company economics and substantial underlying cash generation.

The central underwriting question is not whether Coca-Cola possesses a durable franchise, but whether that franchise can continue converting its installed commercial advantages into positive physical growth, sustainable price/mix, healthy bottler economics and durable cash flow as exceptional inflation-related pricing normalizes.

Public evidence supports the durability of the franchise, but several assumptions remain insufficiently demonstrated to warrant aggressive underwriting.

What the IC Can Accept

1. Coca-Cola possesses a durable system moat.

The competitive advantage extends beyond brand equity to route-to-market density, physical availability, customer relationships, bottler infrastructure and system scale.

2. Coca-Cola's parent-company economics remain financially attractive.

Concentrate, syrup and brand economics support high margins, comparatively low direct capital intensity and substantial underlying cash generation.

3. Pricing power is real but finite.

Coca-Cola has demonstrated substantial monetization capability, but recent double-digit price/mix should not be treated as a sustainable structural run rate.

4. Emerging markets provide meaningful long-duration physical-growth opportunities.

Their investment value nevertheless depends on progressive monetization because cases differ materially in revenue and profit contribution across geographies.

5. The franchise has credible adaptation capabilities.

Zero sugar, price-pack architecture, portfolio evolution and commercial execution provide mechanisms for responding to changing consumer preferences, affordability and regulation.

What the IC Should Not Underwrite Without Further Evidence

Assumption	Why It Should Not Yet Be Underwritten
Medium-term organic growth without sufficient evidence of underlying growth quality	Organic growth should receive full underwriting credit only where supported by a sustainable combination of positive physical growth and moderate price/mix rather than exceptional pricing, inflation effects or temporary shipment, calendar and mix factors.
Continued exceptional price/mix	Double-digit FY2022–FY2024 monetization partly reflected inflation and should not be extrapolated structurally
Case growth as economically equivalent across geographies	Revenue and operating-income contribution per case vary materially across regions, and emerging-market economics are

Assumption	Why It Should Not Yet Be Underwritten
	themselves heterogeneous. Latin America demonstrates materially stronger monetization relative to physical scale than Asia Pacific; geographic composition therefore matters alongside aggregate case growth.
Coca-Cola's margins and ROIC as evidence of equivalent system returns	Bottlers fund substantial manufacturing, distribution, working capital and commercial infrastructure
Category expansion as automatically value-accretive	New categories should receive credit only where incremental economics justify complexity and investment
System cost savings as direct Coca-Cola value	Bottler or retailer economics do not automatically transmit into Coca-Cola revenue, earnings or FCF
AI deployment as separately identifiable financial value	Current evidence does not establish sufficient incrementality, cost, persistence, scalability and Coca-Cola capture

Remaining IC Decision Gates

Decision Gate	Current Assessment	Evidence Required / Monitoring
Physical Growth Durability	Improving / Not Yet Fully Demonstrated	Sustained positive transactions/unit cases beyond H1 2026
Revenue Quality	Improving / Not Yet Fully Demonstrated	Moderate price/mix alongside positive physical growth
Bottler-System Durability	No Near-Term Constraint Identified / Monitor	Moderate sustainable price/mix alongside positive physical growth, without excessive reliance on exceptional inflation, unfavorable mix or affordability pressure.
Emerging-Market Monetization	Mixed by Region	Stronger monetization of incremental cases, particularly APAC
Coca-Cola Value Capture	Supported Structurally / Monitor Incremental Capture	System growth translating into Coca-Cola earnings and FCF

Secondary upside gate is AI monetization: Greater underwriting credit would require controlled incremental outcomes, full implementation economics, persistence at scale and demonstrable Coca-Cola value capture.

Thesis Monitoring

Evidence Strengthening the Thesis	Evidence Weakening the Thesis
Sustained positive unit-case / transaction growth	Persistent flat or negative physical growth
Moderate price/mix alongside positive volume	Pricing increasingly compensates for weak volume
Improving emerging-market monetization	Cases rise but revenue/profit per case deteriorates
Stable/improving competitive position	Sustained share or availability deterioration
Healthy bottler margins, FCF and capex	Bottler returns weaken and reinvestment declines
Strong normalized Coca-Cola free cash flow	Structural deterioration in cash conversion

This Commercial Due Diligence assessment does not determine an appropriate purchase price, target valuation or expected investment return. Its conclusions should instead inform the investor's assumptions for normalized growth, margins, free cash flow, terminal economics and scenario sensitivity.

Overall Investment Conclusion

Coca-Cola remains a high-quality global franchise supported by durable consumer demand, difficult-to-replicate commercial infrastructure, attractive upstream economics and substantial underlying cash generation. Its competitive advantage is best understood as a system moat, combining brand pull with physical availability, bottler infrastructure, customer relationships and local execution.

The principal underwriting issue is the quality of future growth. The exceptional price/mix achieved during the inflationary period should not be extrapolated indefinitely; a more defensible Base Case requires positive but measured physical growth alongside moderate sustainable monetization. Emerging markets provide substantial long-duration transaction opportunities, but additional cases should receive economic credit only as their revenue, profit and Coca-Cola value-capture characteristics become clearer.

Coca-Cola's capital-efficient financial model remains attractive but depends on healthy bottler economics and continued system reinvestment. The principal downside is therefore less likely to be abrupt franchise disruption than gradual deterioration in system productivity through weak transactions, affordability pressure, unfavorable mix or declining bottler investment.

AI provides credible execution upside but does not alter the core investment case on current evidence. The appropriate underwriting framework is therefore a normalization case: positive physical growth, moderate sustainable price/mix, progressive emerging-market monetization, stable competitive position, healthy bottler reinvestment and strong normalized free cash flow.

Underwriting Conclusion

The available evidence supports underwriting Coca-Cola as a durable, high-quality global franchise with a defensible system moat, attractive parent-company economics and substantial normalized cash-generation capacity. Conviction is strongest in the durability of the franchise and its capital-efficient economic architecture; it is more measured regarding the rate and composition of future organic growth.

The Base Case does not require exceptional category growth, continued inflationary pricing or material AI-enabled earnings. It requires Coca-Cola to restore and sustain positive physical growth alongside moderate



price/mix, progressively monetize emerging-market consumption, preserve bottler reinvestment capacity and maintain effective transmission of system economics into Coca-Cola cash flow.

On the evidence currently available, the Base Case is commercially supportable, although conviction varies across its underlying drivers. Evidence is strongest regarding franchise durability, parent-company economics and the ability to sustain positive price/mix; H1 2026 provides improving evidence on physical growth.

Bottler-system durability should be assessed against current major-bottler financial evidence, while emerging-market monetization remains heterogeneous, with the principal gap more pronounced in Asia Pacific than Latin America. The central monitoring question is therefore whether Coca-Cola can sustain balanced physical and economic growth as temporary H1 effects and exceptional inflation-related pricing recede

SOURCES, EVIDENCE LIMITATIONS & DISCLAIMER

Research Basis

This Commercial Due Diligence IC Brief has been prepared by Cohres using publicly available information to assess the commercial attractiveness, competitive position, financial characteristics, value-creation potential and principal investment risks associated with The Coca-Cola Company.

Primary reliance has been placed on company filings, investor materials, earnings disclosures and public information from major Coca-Cola bottling partners. Regulatory, governmental, multilateral, technology-provider and selected reputable secondary sources have been used where relevant. Material quantitative conclusions have, where possible, been anchored to primary disclosures.

Information relating to the wider Coca-Cola system has been distinguished from information relating specifically to The Coca-Cola Company ("KO") where economically relevant. This distinction is important because substantial finished-beverage manufacturing, distribution, working capital, capital expenditure and operating economics reside with independent bottling partners rather than within KO's consolidated financial statements.

AI Value Creation Assessment Methodology

Where AI-enabled value creation is relevant, Cohres applies its AI Value Creation Assessment (AVCA) framework to distinguish technology deployment from economically underwritable value. AVCA assesses commercial credibility, economic attractiveness, execution feasibility, competitive durability and investment risk, with particular attention in Coca-Cola's case to the distinction between system value creation and KO shareholder value capture.

Evidence Classification

Evidence Classification	Meaning
Fact	Information supported by company filings, regulatory disclosures, reported financial results or other sufficiently reliable public evidence
Management Claim	A statement, estimate, operational result or expectation reported by Coca-Cola, a bottling partner or another relevant company that has not necessarily been independently verified
Analytical Inference	Cohres's interpretation of available evidence and its implications for the investment thesis

These distinctions are particularly important for operational and AI-related disclosures. Reported pilot outcomes, productivity improvements and expected opportunities may support commercial credibility but should not automatically be interpreted as independently verified financial results. Conversely, absence of public disclosure should not be interpreted as evidence that a benefit or risk does not exist.

Public-Information Limitations

This assessment has been prepared without access to confidential company information, management interviews, proprietary customer research or internal operating data. Certain issues material to full investment underwriting therefore remain unavailable or insufficiently disclosed publicly.

Principal limitations include market-level elasticity and affordability data; detailed incidence-pricing and value-sharing economics with major bottlers; customer and product-level profitability; bottler returns on commercial investment; emerging-market revenue-per-case progression; and the incrementality of portfolio expansion.

Public disclosure also provides limited visibility into the financial economics of individual digital and AI initiatives, including implementation and recurring cost, controlled counterfactual performance, persistence, scalability and KO-specific value capture.

These limitations have been reflected in the underwriting treatment rather than replaced with unsupported estimates. Where available evidence is insufficient, the relevant assumption has been identified as requiring further diligence.

Forward-Looking Information

Certain information considered in this assessment includes management guidance, targets, strategic objectives, expected benefits and other forward-looking statements. Such information represents expectations rather than realised outcomes and has therefore been treated as an input to the assessment rather than as established fact. Actual outcomes may differ materially because of changes in consumer demand, competition, pricing, inflation, foreign exchange, regulation, execution, bottler performance, input costs, geopolitical developments and other factors.

AI-Specific Evidence Limitation

References to artificial intelligence in public disclosures may encompass machine learning, predictive analytics, optimization, computer vision, generative AI and conventional automation. These technologies should not be assumed to have equivalent commercial characteristics or economic outcomes. AVCA therefore evaluates the disclosed economic result rather than the technology label. It is an investment-underwriting framework and does not constitute a technical assessment of AI architecture, software quality, cybersecurity, vendor selection or model performance.

Use of Estimates and Company-Defined Measures

Certain figures referenced in this report include company-defined non-GAAP measures, management estimates, system-level metrics or calculations derived from publicly disclosed information. Such figures should be interpreted according to the definitions provided by the original source.

Coca-Cola system metrics—including worldwide unit cases, system capital expenditure, customer outlets and cold-drink equipment—should not be interpreted as consolidated KO financial measures. Similarly, financial information from independent bottlers should not be consolidated into KO economics unless the relevant ownership and accounting treatment supports such inclusion.

Disclaimer

This report has been prepared by Cohres Ltd for informational and research purposes only. It is based on publicly available information believed to be reliable at the time of preparation. Cohres has not independently audited or verified all information contained in company or third-party disclosures and makes no representation or warranty, express or implied, as to its completeness or accuracy.

The analysis reflects Cohres's interpretation of information available at the time of preparation and may change as additional information becomes available.

This report does not constitute investment, financial, legal, tax or accounting advice, an offer to buy or sell securities, or a solicitation of an offer to buy or sell any security or financial instrument. Nothing contained in this report should be interpreted as a recommendation to undertake any investment transaction. Investors should conduct their own analysis and obtain appropriate professional advice before making investment decisions. Historical performance, management guidance, forward-looking statements and scenario assumptions are not guarantees of future results.



Cohres's Commercial Due Diligence and AI Value Creation Assessment are designed to support investment underwriting by testing commercial assumptions, economic attractiveness and investment risk. They do not replace financial, legal, tax, accounting, technical, cybersecurity or other specialist due diligence where such work is required.

Principal Sources

The Coca-Cola Company

- FY2025 Form 10-K / Annual Report
- Q1 2026 results and Form 10-Q
- Q2 2026 results and Form 10-Q
- FY2024 Annual Report where historical comparison required
- investor presentations and earnings-call materials
- relevant investor conference transcripts
- sustainability / business and environmental disclosures
- Microsoft partnership disclosure
- relevant AI/digital corporate disclosures

Major Coca-Cola Bottling Partners

- Coca-Cola FEMSA annual reports and investor materials
- Coca-Cola Europacific Partners annual reports and operating disclosures
- Coca-Cola HBC annual reports, investor materials and operating disclosures
- Arca Continental investor materials
- Coca-Cola İçecek disclosures

Regulatory / Institutional

- U.S. Securities and Exchange Commission
- World Health Organization
- relevant governmental or regulatory sources used for taxation, health or market regulation

Technology / Operational Sources

- Microsoft
- AWS
- SAP or other technology-provider disclosures only where directly supporting a stated deployment

About Cohres

Cohres is an independent investment research and commercial due diligence firm supporting private equity firms, venture capital firms, family offices and other private-market investors.

Cohres supports investment decisions through:

Focused Screening → Commercial Evaluation → Commercial Due Diligence

Research and proof of work: www.cohres.com

APPENDIX A – INVESTMENT THESIS REFERENCE & MONITORING FRAMEWORK

Purpose

This appendix translates the Commercial Due Diligence findings into a practical framework for ongoing investment monitoring. Coca-Cola's thesis should not be reassessed based on individual quarterly data points in isolation, as weather, shipment timing, foreign exchange, inflation, geographic mix and bottler inventory movements can create meaningful short-term volatility.

The relevant question is whether the underlying commercial and economic conditions supporting the investment thesis remain intact. The framework therefore identifies the principal assumptions, indicators and evidence that should cause an investor to maintain or reassess individual components of the underwriting case. It is intended as a reference framework rather than a mechanical scoring system.

Core Investment Thesis

The investment thesis established by this Commercial Due Diligence can be summarized as follows:

Coca-Cola is a high-quality global franchise whose economics depend on its ability to combine durable consumer demand, extensive physical distribution and bottler capital with sustainable price/mix and positive transaction growth.

The company's principal competitive advantage is a system moat rather than merely a trademark moat.

Brand equity creates consumer demand. Bottlers provide manufacturing and local route-to-market infrastructure. Customer relationships and cold-drink equipment convert demand into physical availability. Revenue growth management supports monetization. The parent company captures attractive upstream economics through concentrates, syrups, trademarks, selected finished-product operations and strategic interests.

The next phase of the thesis depends increasingly on Coca-Cola demonstrating that this system can generate balanced physical and economic growth as the exceptional inflation-related price/mix of recent years normalizes.

AI can improve the productivity of this system but is not required for the core investment thesis.

Thesis Pillar	Core Monitoring Question
1. Physical Demand	Can Coca-Cola sustain positive transactions and unit-case growth?
2. Sustainable Monetization	Can moderate price/mix coexist with positive physical growth?
3. Geographic Growth Quality	Are emerging-market cases becoming increasingly monetizable?
4. Portfolio Relevance	Is portfolio evolution creating incremental profitable occasions?

5. Bottler Economics & Reinvestment	Are bottlers earning sufficient returns to continue funding the system?
6. Competitive Position & System Productivity	Is the system moat continuing to translate into share, availability and transactions?
7. Financial Quality & KO Value Capture	Are commercial gains translating into margins, cash flow and attractive KO returns?

Scenario Migration Indicators

The investment thesis should be monitored for evidence that results are moving toward the Bull, Base or Bear commercial scenarios established in the report.

Movement Toward the Bull Case

Evidence would include sustained stronger unit-case growth; moderate price/mix alongside physical growth; improving emerging-market monetization; strong zero-sugar and category incrementality; healthy bottler returns and reinvestment; improving system productivity; and measurable scaling of commercially relevant AI applications with demonstrated incremental economics and credible KO value capture.

Consistency with the Base Case

The Base Case remains supported by positive but measured unit-case growth, sustainable moderate price/mix, resilient developed-market economics, continued emerging-market distribution expansion, healthy bottler financial conditions and strong normalized cash generation.

AI can continue expanding without requiring separate financial recognition.

Movement Toward the Bear Case

Warning signs would include persistent flat or declining cases; increasing dependence on pricing; affordability deterioration; unfavorable geographic or package mix; weaker bottler margins or investment; sustained market-share losses; weaker normalized free cash flow; or greater expenditure required merely to defend existing system performance.

AI becomes relevant to the downside primarily if investment increases without corresponding commercial or financial benefits.

Priority Questions for Future Earnings Calls

Future results should be assessed against a consistent set of questions rather than reacting primarily to headline revenue and EPS.

Physical demand: Is transaction and unit-case growth improving on a sustained basis?

Growth quality: How much organic growth comes from physical consumption versus price/mix?

Pricing: Is positive price/mix being achieved without material deterioration in affordability?

Emerging markets: Are incremental cases translating into progressively stronger economics?

Portfolio: Is zero-sugar and adjacent-category growth incremental or primarily cannibalistic?

Bottlers: Are major bottling partners generating sufficient returns to continue investing?

Competitive position: Is Coca-Cola maintaining or gaining economically relevant market share?

Cash flow: Is underlying commercial growth converting into normalized free cash flow?

AI: Are technology deployments producing measurable incremental economics, and who is capturing those economics?

These questions provide a more useful framework for investment monitoring than quarter-to-quarter comparisons against consensus estimates alone.

Thesis Review Triggers

A full reassessment of the investment thesis would be warranted if several of the following conditions persisted rather than appearing temporarily:

- worldwide unit-case growth remains flat or negative;
- price/mix remains the dominant source of organic growth;
- affordability pressure materially reduces consumption frequency;
- emerging-market volume increases without improving economic contribution;
- major bottlers experience sustained margin or return deterioration;
- bottler capital expenditure weakens materially;
- Coca-Cola loses meaningful market share in strategically important categories;
- portfolio expansion fails to offset changing consumer preferences;
- normalized free cash flow deteriorates despite revenue growth;
- regulatory or resource constraints materially impair system economics; or
- substantial AI and digital expenditure fails to generate identifiable commercial or productivity benefits.

No individual trigger necessarily invalidates the thesis.

The significance comes from persistence and interaction.

Investment Thesis Monitoring Conclusion

The Coca-Cola investment thesis should ultimately be monitored through the economic productivity of the entire franchise system.

Headline revenue growth alone is insufficient.

The most informative evidence is whether Coca-Cola can simultaneously deliver:

positive physical consumption, sustainable monetization, healthy bottler returns, continued competitive relevance and strong parent-company cash generation.

If these conditions remain intact, the underlying franchise continues functioning as intended even when individual markets or quarters experience volatility.

If they begin deteriorating together, the investment thesis should be reconsidered even if reported revenue and earnings remain superficially resilient.

AI should be treated within the same discipline.



Its significance will increase only when technology deployment can be traced through commercial or operational improvement to measurable economics and ultimately to KO shareholder value.

The central monitoring question therefore remains the same as the central underwriting question: can Coca-Cola continue converting the scale of its global brand-and-bottling system into durable, balanced and economically attractive growth?