Company Deep Dive

Coca-Cola

The world's most famous brand is having one of its best years in a decade, under a new chief executive and with volumes growing again. A look at the business model, the shift from price to volume, the $20 billion tax dispute, and what 26 times earnings means when Treasuries yield more than 5 per cent.

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Coverage summary. Coca-Cola is the archetypal defensive stock: a global brand, a business that sells concentrate rather than bottles, 64 consecutive years of dividend increases and earnings that barely move with the economic cycle. In 2026 it has also become one of the better-performing large companies in the US market, with the shares up about 30 per cent from their 52-week low to around $86, close to a record. The latest quarter showed organic revenue up 6 per cent, unit case volume up 5 per cent and comparable earnings up 11 per cent, and management has raised its full-year guidance twice. The quality of the business is not in question. The questions are whether growth can stay volume-led now that pricing has normalised, how a long-running $20 billion tax dispute will be resolved, and whether a stock priced at about 26 times earnings and yielding 2.5 per cent still makes sense when ten-year Treasuries pay 5.3 per cent.

Share price / mkt cap	Organic revenue, Q2	P/E, 2026E	Dividend yield
$86 / $379bn	**+6%**	**~26x**	**~2.5%**
near record high	*volume +5%, price/mix +2%*	*on guided comparable EPS*	*64 years of increases*

Exhibit A. Key figures

Metric	Figure	Note
Net revenue, 2025	$47.9bn	organic growth +5% (price/mix +4%)
Net revenue, Q2 2026	$13.4bn	+7% reported, +6% organic
Unit case volume, Q2 2026	+5%	flat for full-year 2025
Comparable operating margin, Q2	35.6%	34.7% a year earlier
Comparable EPS, Q2	$0.97	+11%
2026 guidance	organic revenue ~5%; comparable EPS +9% to +10%	raised in April and July
Free cash flow, 2026 guidance	~$12.4bn	capex ~$2.2bn
Dividend	$0.53 per quarter	~$9.4bn a year in total
Valuation	~26x P/E; EV/EBITDA ~20x	share price ~$85.65

Figures from company releases and market data as of early October 2026; multiples and yields are Andra Markets calculations and are approximate. Colour convention (charts only): green marks growth or pricing gains, red marks the competing yield on Treasuries or declines. All body and table text is set in black.

1.0 Executive Summary

Key takeaways

Growth has shifted from price back to volume. In 2023 and 2024 Coca-Cola grew organic revenue by around 12 per cent a year, almost entirely through price increases in an inflationary world, including hyperinflationary markets such as Argentina. In 2025 that engine slowed: price/mix added 4 per cent and volumes were flat. In 2026 the mix has reversed, with unit case volume up 3 per cent in the first quarter and 5 per cent in the second, while price/mix contributed only 2

per cent last quarter. Volume-led growth is healthier and more durable than price-led growth, because it means more people are drinking more Coca-Cola products rather than paying more for the same amount.

The business model is exceptionally resilient. Coca-Cola mostly sells concentrate and brand rights to independent bottlers, which carry the factories, trucks and most of the capital. The result is a comparable operating margin above 35 per cent, capital spending of only about $2 billion a year and free cash flow guided at around $12.4 billion for 2026. The company is continuing to sell its remaining bottling stakes, most recently a controlling interest in Coca-Cola Beverages Africa, which raises margins further. The main operational weakness is coffee: Costa, bought for £3.9 billion in 2019, failed to attract acceptable bids and remains a drag.

The valuation is the hard part. At about 26 times guided 2026 earnings, Coca-Cola trades at a premium to its own long-run average and to the broader consumer staples sector. Its earnings yield of about 3.8 per cent and dividend yield of 2.5 per cent are well below the 5.3 per cent available on ten-year Treasuries, which is unusual for a stock traditionally owned as a bond substitute. Investors are paying for quality, predictability and a defensive profile in a market worried about AI valuations and rising rates. That is a reasonable choice, but it leaves the shares exposed if growth slows back to its historical mid-single-digit pace, or if the tax appeal goes against the company.

2.0 Business Model

Selling the brand, not the bottle

Coca-Cola owns more than 200 brands, including Coca-Cola, Sprite, Fanta, Powerade, Minute Maid, smartwater, fairlife and Costa, and its products are sold in more than 200 countries. But the company itself produces relatively little finished drink. Its core activity is making concentrate and syrups, and marketing the brands, while a network of more than 200 independent bottling partners, among them Coca-Cola Europacific Partners, Coca-Cola HBC, Coca-Cola FEMSA and Coca-Cola Consolidated, buy the concentrate, add water and sweetener, package it and distribute it. That division of labour leaves Coca-Cola with the highest-margin part of the value chain, the brand and the formula, and the bottlers with the capital-intensive and lower-margin part.

The strategy for more than a decade has been to refranchise company-owned bottlers, selling them to partners in order to make the business lighter and more profitable. The latest step is the sale of a 75 per cent stake in Coca-Cola Beverages Africa to Coca-Cola HBC for about $2.6 billion, conditionally approved by South Africa’s Competition Tribunal in September, with Coca-Cola keeping 25 per cent under an option agreement. Each such sale lowers reported revenue but lifts margins and returns on capital. The remaining bottling investments, mainly in India and parts of Asia and Africa, are a small share of profits.

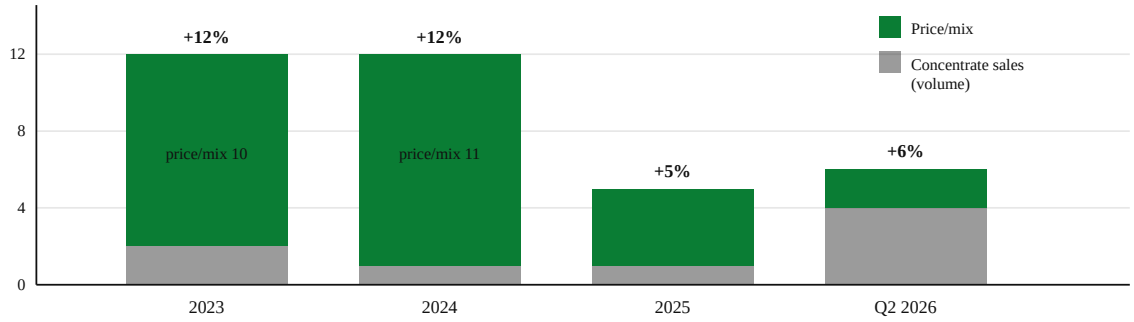
3.0 Recent Performance

From price to volume

The composition of growth tells the story of the last three years. Organic revenue, which excludes currency and acquisitions, grew around 12 per cent in both 2023 and 2024, but nearly all of it came from price/mix, the combined effect of price increases and a richer product and channel mix. In 2025 organic growth slowed to 5 per cent and volumes were flat, as consumers in the US and elsewhere began to resist higher prices. In 2026 the pattern has changed: in the second quarter concentrate sales grew 4 per cent and unit case volume 5 per cent, while price/mix added only 2 per cent.

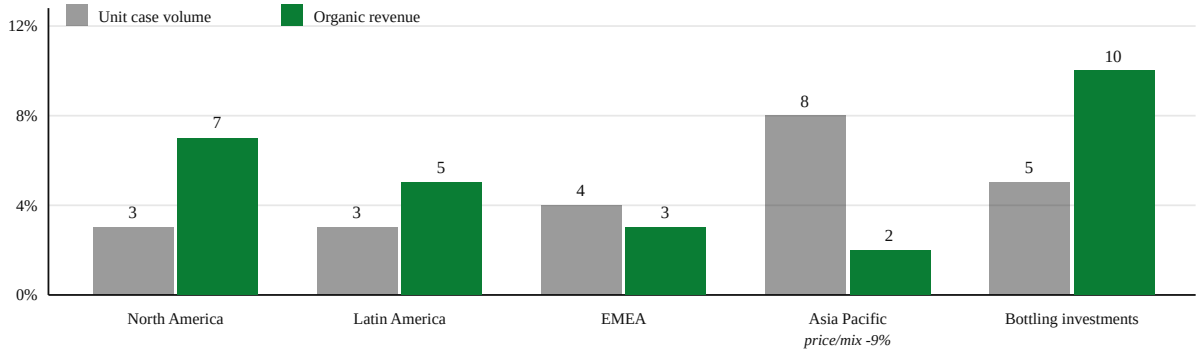
Growth was broad-based across regions. North America grew organic revenue 7 per cent, with volume up 3 per cent and price/mix up 4 per cent; Latin America grew 5 per cent; EMEA 3 per cent. Asia Pacific was the outlier, with volume up 8 per cent but price/mix down 9 per cent as growth came from lower-priced markets and packs, leaving organic revenue up only 2 per cent. By category, Coca-Cola Zero Sugar was again the standout, up 16 per cent, with trademark Coca-Cola up 5 per cent and water up 6 per cent, while coffee declined 2 per cent. Profitability improved in step: comparable operating margin rose to 35.6 per cent from 34.7 per cent, comparable earnings per share grew 11 per cent to $0.97, and currency, a headwind for several years, turned into a modest tailwind.

Exhibit 1. Sources of organic revenue growth (percentage points)



Source: Andra Markets; Coca-Cola annual and quarterly results. Components are rounded and may not sum exactly to organic growth. Green marks pricing, grey marks volume.

Exhibit 2. Q2 2026 growth by operating segment: unit case volume and organic revenue (%)



Source: Andra Markets; Coca-Cola Q2 2026 results. Green marks organic revenue growth.

4.0 Portfolio and Consumer Trends

Less sugar, same brand

The structural trend in soft drinks is away from sugar, driven by health awareness, sugar taxes in many countries and, more recently, the spread of GLP-1 weight-loss drugs, which reduce appetite and cravings. Coca-Cola has been preparing for this for years. Around 30 per cent of its global volume already has zero or very few calories, and 18 of its top 20 brands have reduced-sugar or zero-sugar versions. Coca-Cola Zero Sugar grew 14 per cent in 2025 and 16 per cent in the latest quarter, making it one of the fastest-growing large brands in the portfolio. The company’s own research suggests that GLP-1 users tend to switch to low- and zero-calorie drinks rather than stop drinking soft drinks altogether, and it is positioning Diet Coke, Coke Zero, fairlife protein shakes and smartwater for that consumer.

Not every bet has worked. Costa Coffee, bought for £3.9 billion in 2019, has struggled with weak high-street footfall and cheaper competitors, and its UK accounts showed an operating loss in 2024. Coca-Cola ran a sale process in 2025, but private equity bids fell short of expectations and the process was abandoned in December. Coffee volumes are still declining. By contrast fairlife, the premium milk and protein-shake business, has grown so strongly that Coca-Cola had to make a large contingent payment to its former owners in 2025, which depressed reported free cash flow that year to $5.3 billion from an underlying $11.4 billion. The new chief executive, Henrique Braun, who took over from James Quincey at the end of March and previously ran Latin America and then operations, has made accelerating the shift to low- and zero-calorie products and using AI in marketing his early priorities.

5.0 Capital Allocation

A dividend machine

Coca-Cola’s financial profile is built around the dividend. The company has raised its payout for 64 consecutive years, making it one of the so-called Dividend Kings, and currently pays $0.53 per share each quarter, or about $9.4 billion a

year in total. Against free cash flow guided at about $12.4 billion for 2026 and capital spending of only $2.2 billion, the dividend is covered roughly 1.3 times by cash, and the payout ratio is about 65 per cent of guided earnings. That leaves limited room for large buybacks, but the priority is clear: a reliable, growing dividend, with acquisitions and refranchising managed around it. Proceeds from the CCBA sale should strengthen the balance sheet, where leverage is moderate and interest is covered about ten times by operating profit.

6.0 Tax Dispute

A $20 billion question

The largest single uncertainty in the investment case is a long-running dispute with the US Internal Revenue Service over transfer pricing, the way profits are allocated between the US parent and its foreign subsidiaries that make concentrate. Coca-Cola used a method agreed with the IRS in 1996, under which foreign licensees retained a fixed share of profits. The IRS argued that too much profit had been left in low-tax jurisdictions and, in 2020, the US Tax Court agreed for the years 2007 to 2009. Coca-Cola has paid about $6 billion in tax and interest for those years and appealed to the Eleventh Circuit Court of Appeals, which heard arguments in June. If the ruling were upheld and applied to subsequent years, the total liability could reach about $20 billion, including roughly $14 billion more.

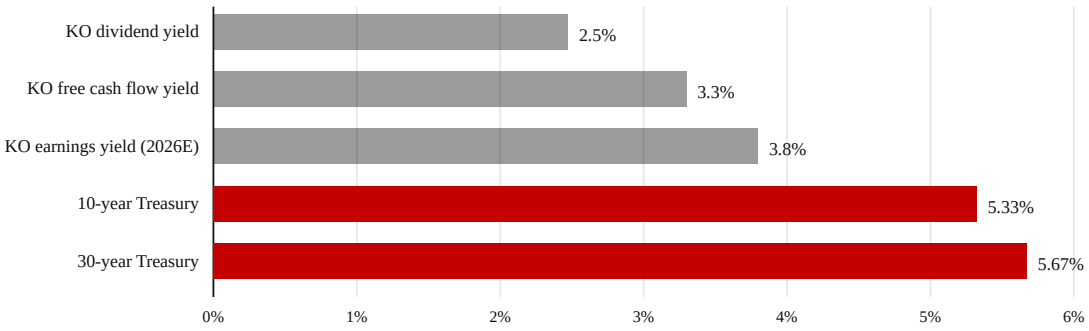
The appeal's outcome is genuinely uncertain. Analysts who attended the hearing reported that the judges seemed receptive to Coca-Cola's argument that it was denied due process when the IRS changed its methodology, and to its claim regarding certain excluded marketing costs, but a decision has not yet been published. The company says it has the liquidity to pay without cutting its dividend, and a $14 billion payment, while large, would be around four per cent of market value and could be financed over time. A favourable ruling, by contrast, could lead to a refund of part of the amount already paid. For investors, the key point is that the case is a one-off balance sheet risk rather than a threat to the business, but it is a material one.

7.0 Valuation

A bond proxy that yields less than bonds

At around $86, Coca-Cola is valued at about $379 billion, or roughly 26 times guided 2026 comparable earnings of about $3.29 per share and 20 times EV/EBITDA. That is a premium to its average multiple over the past decade, which has typically sat in the low to mid-twenties, and a clear premium to most consumer staples peers. The shares have also outperformed this year, rising about 30 per cent from their 52-week low, as investors sought defensive earnings in a market dominated by debate about AI spending and rising long-term rates.

Exhibit 3. Coca-Cola's yields versus US Treasury yields (%)



Source: Andra Markets calculations on guided 2026 earnings and free cash flow, the current dividend and market data; Treasury yields as of 1 October 2026. Red marks the risk-free alternative.

The comparison with bonds is the most striking feature of the valuation. Coca-Cola has long been owned as a "bond proxy", a stock whose steady dividend substitutes for fixed income. Today its dividend yield of about 2.5 per cent and earnings yield of about 3.8 per cent are both well below the 5.3 per cent yield on a ten-year Treasury. The difference is the growth investors expect: unlike a bond coupon, the dividend and earnings should rise each year, by perhaps 5 to 7 per cent over time. Adding that growth to the current yield gives an expected return in the high single digits, broadly in

line with the long-run return on equities and above Treasuries. But that arithmetic works only if growth holds; if it slows towards the low single digits, the stock offers little more than a bond with more risk. In practice the premium multiple reflects not only growth but scarcity, as few large companies offer comparable predictability.

8.0 Risk Considerations

Where the case could break

The first risk is valuation itself. A stock on 26 times earnings with mid-single-digit growth has limited room for disappointment, and if long-term interest rates stay high or rise further, investors may demand a lower multiple for defensive equities, as they did in 2022. The second is the tax appeal, where an adverse ruling extended to later years would mean a payment of around $14 billion. The third is the consumer: the recent rebound in volume follows a period of heavy price increases, and if lower-income consumers in the US or emerging markets come under pressure, volumes could weaken again. Longer term, health trends, sugar taxes and GLP-1 adoption pose a gradual threat to full-sugar drinks, even if the company’s zero-sugar portfolio has so far captured much of the shift.

Other risks are more operational. Currency swings matter for a company that earns most of its profit outside the US, and the current tailwind could reverse. Emerging markets such as Asia Pacific are growing volume but at lower prices, which dilutes revenue growth. Costa remains an underperforming asset without an obvious exit. And the transition to a new chief executive, while orderly, always brings some uncertainty about strategy and capital allocation.

9.0 Outlook and Monitoring Points

What to watch

Third-quarter results, due later this month, will show whether volume momentum has continued into the second half and whether the raised guidance of around 5 per cent organic revenue growth and 9 to 10 per cent comparable EPS growth holds. The balance between volume and price/mix is the single most important indicator of the quality of growth. Beyond that, investors will watch the Eleventh Circuit’s ruling on the tax case, the closing of the CCBA sale, any renewed attempt to sell Costa, and Henrique Braun’s first longer-term targets as chief executive. On the macro side, the level of long-term Treasury yields will continue to shape how much investors are willing to pay for defensive earnings. Coca-Cola remains one of the highest-quality businesses in the world; at today’s price, the debate is less about the company than about how much that quality is worth when risk-free bonds pay more than 5 per cent.

Methodology and Source Notes

Method. This note is a fundamental review of Coca-Cola based on company results for 2025 and the first half of 2026, guidance as of July 2026, press reporting and market data as of early October 2026. Organic growth components for 2023 and 2024 are rounded figures from company reports. Earnings yield, free cash flow yield, dividend coverage and the 2026 P/E are Andra Markets calculations on guided figures and are approximate. The tax dispute amounts are as reported by the company and the press. This note is analysis, not investment advice.

Principal sources. Coca-Cola Q2 2026 results (Business Wire, 28 July 2026) and full-year 2025 results; ABC Money, on the CEO transition and strategy (May 2026); Just Drinks, on the CCBA sale (September 2026); FoodNavigator, on the Costa sale process (January 2026); Fox Business and Citybiz, on the IRS dispute and appeal (2026); Yahoo Finance, for valuation and market data.

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