



The Coca-Cola

KO

EQUITY RESEARCH REPORT

October 20, 2026

The Coca-Cola Company (KO)

Report Date: 2026-10-20

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EXECUTIVE SUMMARY

Metric	Value
Recommendation	HOLD
Current Price	€83.27 (USD 93.42)
Fair Value (Base Case)	€74.16 (USD 83.20)
Margin of Safety	-10.9%
Target Entry (if HOLD)	€66.75 (USD 74.90)

Return Profile	Value
Dividend Yield	2.27%
Expected Dividend Growth	6.0%
Expected Price Appreciation	5.3%
Total Expected Return (Base)	7.2% CAGR
Bear Case Total Return	0.0% CAGR
Bull Case Total Return	9.3% CAGR
Probability-Weighted Return	6.0% CAGR

Risk Assessment	Value
Wealth Preservation Score	62 / 100
Downside Protection Score	70 / 100
Quality Score	54 / 100
Risk Level	MODERATE
Probability of >50% Loss	<5%
Recession Profile	RESILIENT (with valuation caveat)

One-Line Thesis:

Coca-Cola's brand and distribution moat protect the downside over a decade, but the current price assigns double-digit growth to a mid-single-digit business; the margin of safety is negative, so I recommend holding cash or waiting for a lower entry rather than buying here.

INVESTMENT THESIS

Coca-Cola is a business I can describe in one joined sentence: it sells branded nonalcoholic beverages in more than 200 countries, through a concentrate-and-bottler system that keeps the parent company light on fixed capital and heavy on pricing power. That model matters for wealth preservation. The company does not need to build every bottle plant. It collects a royalty-like return on concentrate sales, owns brands that carry decades of consumer habit, and generates cash from local bottlers who run the physical distribution. The 2025 8-K shows operating income up 38% to \$13.8 billion and diluted EPS up 23% to \$3.04 on revenue of \$47.9 billion. The gross margin sits at 61.6%. The business converts revenue into cash with less asset risk than most industrials.

The return problem is not the company. It is the price. At the authoritative price of \$93.42, the stock trades near 28 times trailing earnings on the \$3.33 TTM EPS figure from stockanalysis.com, and near 28.8 times the \$3.24 midpoint of management's 2026 comparable EPS guidance of 7% to 8% growth from the \$3.00 2025 base. The five-year average multiple is 25.58. The Consumer Defensive sector average is 20.41. Coca-Cola deserves a premium because of its gross margin, return on equity, and dividend record, but a premium of this size already assumes the growth arrives without error. The reverse DCF in the Basis Report, struck at \$86.10, says the market needed roughly 13% annual FCF growth for a decade to justify that price. At \$93.42, the implied requirement is higher still. Management guides to 4% to 5% organic revenue growth and 7% to 8% comparable EPS growth in 2026. The gap between the price and the operating algorithm is the central risk.

The dividend softens the downside. The company pays \$2.12 per share annually, which is a 2.27% yield at \$93.42. The payout ratio on 2025 reported EPS is about 70%, and on the comparable EPS of \$3.00 it is about 71%. On normalized free cash flow, excluding the \$6.1 billion fairlife contingent consideration payment that distorted 2025, the payout is about 80%. The company guided 2026 free cash flow to \$12.4 billion, which would bring the FCF payout into the low 70s and restore a comfortable cushion. Coca-Cola has maintained and grown its dividend through recessions, wars, and health-trend controversies. That record provides a credible, though not contractual, floor.

What could go wrong is valuation compression, not business collapse. The health and wellness shift is a high-probability headwind. About half of revenue comes from away-from-home channels, and North America volumes dipped slightly in 2025 even as sales rose 4% on price. Volume growth remains fragile. If price/mix decelerates before volume recovers, the stock's multiple can move from 28 times toward the five-year average of 25.6 or lower. That is a 15% to 20% price decline even with stable earnings. Against the 4% high-yield savings alternative, a 7.2% base-case total return with a negative margin of safety does not meet the wealth preservation standard for a new buy. I would rather own cash at 4% and wait for the stock to offer a real discount than pay \$93.42 for a business that grows mid-single digits.

1. BUSINESS QUALITY ASSESSMENT

Coca-Cola owns one of the most durable intangible moats in consumer staples. The company sells Coca-Cola, Sprite, Fanta, Minute Maid, Simply, fairlife, Powerade, Dasani, smartwater, Topo Chico, Gold Peak, FUZE Tea, Ayataka, and Costa Coffee. The geographic split spans EMEA, Latin America, North America, Asia Pacific, and Bottling Investments. The 10-K filed February 20, 2026 confirms that the concentrate and syrup model drives the majority of revenue. This structure matters for preservation because it concentrates profitability at the parent and leaves capital-intensive bottling to partners or consolidated bottling investments. The model produces a 61.6% gross margin, a 28.7% reported operating margin for 2025, and a 34.9% reported operating margin in the first half of 2026, per StockTitan's 8-K summary.

The moat has two reinforcing parts. The first is brand recognition formed over 140 years. That recognition gives the company pricing power in both developed and emerging markets. The second is distribution scale across more than 200 countries. No small competitor can replicate the shelf presence, fountain contracts, and local bottler relationships without decades of investment. The 2025 volume data show the strengths and limits of that

moat. Trademark Coca-Cola grew unit case volume 1%, sparkling flavors fell 3%, water/sports/coffee/tea rose 3%, and juice/value-added dairy/plant-based beverages fell 6%. The base trademark remains stable. The broader portfolio shows mixed momentum. The company is not in secular decline, but parts of the portfolio depend on premiumization and new categories to offset volume softness in core sparkling.

Competitive threats exist but do not break the moat. PepsiCo competes with beverages plus snacks, Keurig Dr Pepper holds the third position, and Monster dominates energy. Private-label beverages grow during consumer affordability squeezes, but they lack the brand equity and fountain relationships Coca-Cola has. Health and wellness trends erode full-sugar soda consumption, which is a real headwind. The company responds with zero-sugar versions, water, and value-added dairy, but the transition carries execution risk. The \$960 million BODYARMOR trademark impairment in Q4 2025 shows the portfolio is not immune to acquisition writedowns. The expected Costa Coffee divestiture shows management is willing to exit assets when the fit weakens.

The moat is wide, but the duration of that moat depends on continued volume stabilization. Deep Research Global lists health and wellness trends as a high-probability risk. Tickeron flags shifting consumer preferences. These are not new threats. Coca-Cola has managed them for decades. The key issue for a preservation investor is that the moat supports the dividend and the balance sheet, but it does not support the current multiple without faster growth. The business is high quality and understandable. The stock is the problem, not the company.

2. FINANCIAL FORTRESS ANALYSIS

The solvency picture is adequate, not fortress. alcapitaladvisory shows a debt-to-equity ratio of 115.5%. That is above the 1.0x threshold in the framework for a preferred balance sheet and is a genuine red flag on a mechanical screen. The July 3, 2026 balance sheet shows \$37.0 billion of long-term debt against \$12.9 billion of cash and equivalents. Cash equals about 35% of long-term debt, which is a useful buffer. The company generated \$7.5 billion of operating cash flow in the first half of 2026 and guided to \$12.4 billion of full-year free cash flow, up from the prior \$12.2 billion projection. That cash generation is the reason the high debt ratio does not turn into a solvency crisis.

The interest coverage ratio is not provided in the research packet. I cannot compute it without interest expense. The available operating income figures are strong: \$13.8 billion for 2025, \$4.7 billion for first-half 2026. A \$37 billion debt load at a 4% to 5% blended rate implies roughly \$1.5 billion to \$1.9 billion of annual interest, which would put coverage far above 8 times. That is an inference, not a stated result. I flag it because the exact figure matters for a debt-heavy preservation screen.

Free cash flow is positive, but 2025 is distorted. The 8-K reconciliation shows \$7,408 million of operating cash flow, \$2,112 million of capital spending, and \$5,296 million of reported free cash flow. That figure includes a \$6,069 million fairlife contingent consideration payment. Excluding that payment, free cash flow was \$11.4 billion. The 2026 guidance of \$12.4 billion indicates the underlying business generates strong cash conversion. The current ratio is not provided, and the debt maturity schedule is not disclosed in the packet. Those are data gaps. The absence of a current ratio and maturity cliff detail prevents a full FORTRESS rating.

Stress test: if revenue fell 30% for two years, Coca-Cola would still likely remain solvent. The concentrate model carries high variable margins, and the company can reduce marketing and bottling support. The dividend would come under pressure at a 30% revenue drop. With 2025 earnings of \$13.1 billion and an annual dividend near \$9 billion, a recession that halved net income would force management to choose between the dividend and debt paydown. Coca-Cola has historically protected the dividend, but the covenant is behavioral, not legal. I rate the solvency profile ADEQUATE rather than FORTRESS because of the debt-to-equity ratio above 1.0 and the missing coverage and maturity data. The company is not fragile, but it is also not a pure fortress under this framework.

3. DIVIDEND ANALYSIS

Coca-Cola pays \$2.12 per share in annual dividends, which at the current price of \$93.42 produces a 2.27% yield. The ex-dividend date listed in the data is September 15, 2026. The payout ratio on 2025 reported EPS of \$3.04 is 69.7%. On comparable EPS of \$3.00, the payout is 70.7%. On normalized free cash flow excluding the fairlife payment, the payout is roughly 80%. Those ratios matter. A 70% earnings payout is sustainable for a mature consumer staple, but the FCF payout near 80% leaves little room for error in a recession.

The dividend growth record is strong. The search summary lists high dividend growth as a positive factor. The packet does not provide the precise five-year dividend CAGR or the exact consecutive-year count. I will not invent those numbers. The available data show the company prioritizes dividends and buybacks. The 2026 free cash flow guide of \$12.4 billion would reduce the FCF payout to about 73% if the dividend grows modestly, which is a healthier buffer. The dividend yield is below the 4% risk-free alternative, so the dividend alone does not meet the opportunity-cost baseline. The dividend contributes 2.27 points to total return, but the remaining return must come from earnings growth and multiple behavior.

The dividend is sustainable in the base case. In the bear case, a 25% dividend cut would still leave shareholders with a positive total return only if terminal multiples do not compress too far. Coca-Cola maintained its dividend through the 2008-2009 recession and the 2020 pandemic in prior cycles, but the research packet does not provide the specific 2008 or 2020 decline figures for KO. I rate the dividend **ROCK SOLID** in the base scenario and **SUSTAINABLE** under stress, with the caveat that a deep recession would test the current payout.

4. VALUATION ANALYSIS

Coca-Cola is expensive relative to its own history and its sector. The current price of \$93.42 changes the multiple math materially from the stale prices in the research data. Trailing EPS of \$3.33 from stockanalysis.com gives a trailing P/E of 28.1. Using the reported 2025 diluted EPS of \$3.04 gives a trailing P/E of 30.7. The forward midpoint of \$3.24 from management's 7% to 8% comparable EPS growth in 2026 gives a forward P/E of 28.8. The five-year average P/E is 25.58. The Consumer Defensive sector average is 20.41. Coca-Cola trades 10% to 20% above its historical average and 25% to 35% above the sector depending on which EPS base I use. The 10-year average P/E of 35.93 and 15-year average of 31.35 suggest the stock has traded higher before, but those averages reflect a period when interest rates were lower and growth expectations were different.

The price-to-book ratio is 10.5, versus an industry average of 3.48. That is roughly three times the industry book multiple. The ROE of 42.1% supports a premium, but the book multiple assumes the high return on equity persists. EV/EBITDA is listed at 20.48 by Yahoo Finance, but the same source's enterprise value of \$406.18 billion divided by the \$17 billion EBITDA figure from Yahoo implies about 23.9 times. ChartMill and alcapitaladvisory also show 23.66 and 24.0. The truth is somewhere in the low-to-mid 20s on EBITDA, which is not cheap for a 1.9% revenue grower.

I compute fair value with a normalized earnings multiple. Normalized EPS of \$3.20 represents the midpoint between the 2025 comparable EPS of \$3.00 and the 2026 guided midpoint of about \$3.24. I apply a fair multiple of 26 times, slightly above the five-year average of 25.58 to reflect the company's margin structure and dividend durability. That produces fair value of \$83.20. Converted at the \$93.42/€83.27 exchange rate, fair value is €74.16. The current price is \$93.42. The margin of safety is therefore -10.9%. A 10% margin-of-safety entry price is \$74.90, or €66.75. The stock offers no valuation cushion at the current quote.

The dividend discount model gives a similar read. Dividend next year of \$2.25, a required return of 8.5%, and dividend growth of 6% produce a value near \$90. At a lower required return of 8%, the value rises to about \$112. The current price sits inside that range, but the wealth preservation framework wants the price below the conservative fair value with a cushion, not above it.

5. SCENARIO ANALYSIS

The base case assumes the company delivers the operating algorithm management has guided. I set starting EPS at \$3.20, growth at 7.0% annually for ten years, and a terminal P/E of 25. The 2035 EPS reaches \$6.29. The terminal price is \$157.25. Dividends, starting from \$2.12 and growing 6.5%, cumulate to about \$30.50. The total ten-year value is \$187.75. From the current \$93.42, that produces a 7.2% CAGR. The total return clears the 7% hurdle but not by enough to buy without a margin of safety.

The bear case assumes a recession in the first two years, a dividend cut of about 25%, and a permanent multiple de-rating. I use 2.5% annual EPS growth for a decade and a terminal P/E of 18.5. The 2035 EPS reaches \$4.10. The terminal price is \$75.85. Dividends, starting at \$1.60 and growing 2.5%, cumulate to about \$17.90. The total value is \$93.75. That produces a 0.0% CAGR. The bear case returns capital without real purchasing-power growth. It does not destroy capital over ten years, but it fails to beat inflation and the 4% savings alternative.

The bull case assumes volume stabilizes, price/mix remains positive, and the market pays a premium multiple. I use 8.5% EPS growth and a terminal P/E of 27. The 2035 EPS reaches \$7.24. The terminal price is \$195.50. Dividends, growing 8%, cumulate to about \$30.70. The total value is \$226.20. That produces a 9.3% CAGR.

Probability weighting at 25% bear, 50% base, and 25% bull produces an expected return of about 6.0% CAGR. That is below the 7% hurdle and below the base case. The gap between the base case and the probability-weighted outcome comes from the asymmetric valuation risk. The bear case is not catastrophic, but it is zero real return. The bull case requires a multiple expansion on top of earnings growth, which cannot be relied on for a wealth preservation mandate.

The critical observation is that the bear case preserves nominal capital but loses to inflation. The base case barely clears the hurdle. The probability-weighted return does not clear it. None of this supports a buy at \$93.42.

Scenario	2035 Price Target	Total Value	Total CAGR	Weight	Contribution
Bear	\$75.85	\$93.75	0.0%	25%	0.0%
Base	\$157.25	\$187.75	7.2%	50%	3.6%
Bull	\$195.50	\$226.20	9.3%	25%	2.3%
Expected			6.0%	100%	6.0%

6. RISK ASSESSMENT

The most immediate risk is valuation compression. At \$93.42, the stock trades above its five-year average multiple and far above the sector. If the market reverts to the 25.58 five-year P/E on forward EPS of \$3.24, the price falls to about \$82.90. If it overshoots to the sector multiple of 20.41, the price falls to \$66.10. That is a 20% to 29% drawdown. The bear case low target of \$75.00 from the analyst range and the Basis Report low of \$75.00 both point to the same zone. This is not a 50/50 risk profile, but the downside magnitude exceeds the upside from the consensus target of \$94.43 to \$95.75.

The second risk is volume fragility in core soda. Unit case volume grew 1% for Trademark Coca-Cola in 2025, sparkling flavors fell 3%, and juice/dairy fell 6%. North America volumes dipped slightly even as sales rose 4%. The two-year average volume growth Trefis cites is 2%. If volume falls below that 2% baseline while price/mix decelerates, growth becomes purely defensive and the multiple re-rates down. The Q4 2025 experience is instructive: revenue missed consensus at \$11.82 billion versus \$12 billion, and reported operating margin collapsed to 15.6% from 23.8% partly on the BODYARMOR impairment. The organic line was fine, but reported

results can be volatile.

The third risk is structural consumer change. Health and wellness trends have a high probability rating in Deep Research Global's matrix. GLP-1 weight-loss drugs, sugar taxes, labeling rules, and a shift to functional drinks all pressure traditional sparkling volumes. Coca-Cola has offset some of this through premiumization and zero-sugar innovation, but the transition is not free. The \$960 million BODYARMOR impairment shows that even adjacent categories can destroy capital if the acquisition price was wrong.

The fourth risk is leverage and foreign exchange. The debt-to-equity ratio of 115.5% is high for the framework's preferred standard. The company operates globally, with \$28.8 billion of net operating revenues from outside the United States in 2025. Currency volatility in emerging markets and a strong dollar reduce reported growth. Macro risk also runs through away-from-home channels. Deutsche Bank flagged that about half of revenue comes from away-from-home, and restaurant traffic remains weak.

The fifth risk is the gap between the current price and the growth it implies. The reverse DCF at \$86.10 required 13% annual FCF growth for a decade. At \$93.42, the implied requirement is higher. Management guides to 4% to 5% organic revenue growth. The stock therefore embeds an acceleration beyond guidance. If the acceleration does not arrive, the multiple can compress even as the business performs adequately. That is the core preservation risk: adequate performance at an inadequate price.

7. MANAGEMENT & GOVERNANCE

The available governance data is thin. The search summary rates management quality as high, but the underlying source excerpts do not provide tenure, compensation, or capital-allocation scorecards. James Quincey is the CEO, and the filing dated July 16, 2026 shows the appointment of Max Levchin to the Board of Directors. That is the most concrete governance event in the packet. The company also filed a Form 8-K on February 10, 2026, a 10-Q on April 30, 2026, and a Form 8-K on May 1, 2026. The most recent filing in the packet is a Form 144 from September 28, 2026.

Insider activity shows sales, not purchases. Nancy Quan exercised 50,000 options at \$50.4383 and sold 50,000 shares at a weighted average \$90.3852 on August 19, 2026. Sanket Ray sold 9,958 shares at \$86.50 on August 10, 2026, via a Form 144. James Quincey filed a Form 144 on May 7, 2026 and a Form 4 on May 11, 2026. A September 28, 2026 Form 144 referenced a \$4.5 million stock sale plan, though the share count was truncated in the packet. These sales are modest in dollar terms and consistent with routine diversification, but they do not signal insider conviction at current prices.

Capital allocation history shows a preference for dividends and growth. The search summary describes a history of capital allocation toward growth and dividends, and Advanced Investing lists high dividend growth as a positive. The fairlife contingent consideration payment of \$6.1 billion in 2025 and the \$960 million BODYARMOR impairment show that M&A has been expensive in places. The Costa Coffee divestiture attempt suggests management is willing to reverse a poor acquisition. That is a mixed but acceptable record. No accounting red flags, restatement, or going-concern language appears in the provided filings. The absence of a current risk-factor redline is a data limitation, not evidence that none exists. I rate management quality as GOOD, with the caveat that the packet does not provide enough detail to call it EXCELLENT.

8. PEER COMPARISON

The closest peers are PepsiCo (PEP), Keurig Dr Pepper (KDP), and Monster (MNST). The available data are incomplete, so the comparison is directional.

Dimension	KO	PEP	KDP	MNST	Preservation Read
Approx. P/E	28.1x trailing at \$93.42	22x (InvestSnips/Hud	16x (InvestSnips/Hud	26x (InvestSnips/Hud	KO costs more than PEP and
Dividend Yield	2.27% at \$93.42	2.9%	2.6%	0.0%	PEP yields more than KO
Revenue (CSIMarket)	\$49,284M	\$98,241M	\$20,090M	\$9,218.64M	KO is large but slower
Debt/Equity	115.5%	Not provided	Not provided	Not provided	KO leverage is a screen conce
Interest Coverage	Not provided	Not provided	Not provided	Not provided	Data gap
Payout Ratio	~70% on 2025 EPS	Not provided	Not provided	N/A	Data gap
ROIC	Not provided	Not provided	Not provided	Not provided	Data gap
5Y Dilution	Not provided	Not provided	Not provided	Not provided	Data gap

For capital preservation, PepsiCo appears to offer a higher dividend yield at a lower trailing multiple, though its snack business introduces different input-cost and volume risks. KDP offers a lower multiple but a smaller competitive position. Monster offers no dividend and a higher multiple, which fails the preservation screen outright. Coca-Cola's defensive quality is high, but the current valuation removes much of the relative advantage. The missing peer debt, coverage, payout, and ROIC figures prevent a full ranking. I cannot award KO a clean top position on this packet.

9. KEY METRICS SUMMARY

Metric	Value	Source/Note
Current Price	\$93.42 / €83.27	Authoritative price
FY2025 Revenue	\$47,941M	8-K
FY2025 Diluted EPS	\$3.04	8-K
FY2025 Comparable EPS	\$3.00	8-K
FY2025 Reported FCF	\$5,296M	Includes \$6.1B fairlife payment
FY2025 Normalized FCF	\$11.4B	Excludes fairlife payment
FY2026 FCF Guidance	\$12.4B	Raised from \$12.2B
Cash (Jul 3, 2026)	\$12.9B	8-K summary
Long-Term Debt (Jul 3, 2026)	\$37.0B	8-K summary
Debt/Equity	115.5%	alcapitaladvisory
Trailing P/E	28.1x on TTM EPS \$3.33	stockanalysis.com
5Y Avg P/E	25.58	Fullratio
Sector P/E	20.41	Fullratio
Dividend Yield	2.27%	\$2.12 / \$93.42
Dividend Payout	~70% EPS; ~80% normalized FCF	Calc
Fair Value	\$83.20 / €74.16	Normalized EPS \$3.20 x 26x

Metric	Value	Source/Note
Margin of Safety	-10.9%	Calc

10. MONITORING CHECKLIST

Item	Threshold	Action	
Unit case volume growth	Above 2% two-year average	Bullish; below 2% or negative	Review thesis
Price/mix	Sustained mid-single digits with positive price trend only with negative price trend		Review thesis
Organic revenue growth	4% to 5% guidance	Below 4%	Downgrade thesis
Comparable operating margin	Expand from ~32% base	Below 31%	Review margin story
2026 FCF	\$12.4B guide	Below \$11.5B	Re-test dividend
D/E ratio	115.5% current	Rising above 130%	Re-test solvency
Payout ratio	~70% EPS	Above 80%	Dividend cut risk
Q3 2026 EPS	≥\$0.88	Miss	Multiple re-rate down
Analyst consensus target	\$94.43–\$95.75	Below fair value	No new buy

11. MARKET EXPECTATIONS & CONSENSUS

What the current stock price implies is an acceleration the business has not shown. The Basis Report's reverse DCF at \$86.10 required 13% annual growth for a decade. The current price of \$93.42 implies an even higher requirement. Management's 2026 guidance is 4% to 5% organic revenue growth and 7% to 8% comparable EPS growth, with an 8% to 9% figure in one source after Q1 2026 organic growth of 10%. The gap between 13% and 7% is the entire valuation argument. Either the market is wrong about Coca-Cola's growth trajectory, or it is willing to pay a durable-staple premium that the wealth preservation framework cannot justify without a margin of safety.

Consensus ratings are Buy, but the target math is unimpressive from the current price. The Basis Report shows 24 analysts with a mean target of \$94.65. VCP Scanner shows 48 analysts with a target of \$95.75. Highly Regarded shows a Strong Buy consensus and a \$96.88 target. The high target is \$104. The low target is \$75. From \$93.42, the consensus mean provides roughly 1.5% to 3.5% upside. The low target represents a 20% downside. That risk/reward is unattractive for a preservation mandate. WallStSmart's consensus of \$85.71 implies an 8.72% decline from its \$93.90 reference price, which is close to the current quote. The pack of targets disagrees enough that no single figure is reliable.

Short interest is not provided in the research data. I cannot state days to cover. The absence of short interest removes one confirmation signal. The forward valuation table below uses the available live data, but several figures are stale or inconsistent with the current price.

Metric	Value	vs. Sector Avg	Assessment
Forward P/E	25.32 (source) / ~28.8 recomputed at \$93.42	Below \$93.42	Expensive
PEG	2.44–4.03 depending source	>1	Growth-adjusted expensive
EV/EBITDA	20.48–23.9	Not provided	Full

Metric	Value	vs. Sector Avg	Assessment
Beta	0.44 / 0.32	Below 1	Defensive
ROE	42.1%	Above sector	Supports premium
Op Margin	31.85%	Sector ~19.41%	Best in class
Rev Growth YoY	1.87% FY2025; H1 2026 +9%	Mixed	Slow but stable
Analysts	Buy / Strong Buy	Target \$94.43–\$96.88	Limited upside

What would validate the consensus: Q3 2026 EPS of at least \$0.88, full-year 2026 comparable EPS growth at or above 8%, unit case volume above 4% without an easy prior-year comparison, and comparable operating margin expansion. What would disappoint: EPS growth of -0.4% as one scanner reports, volume below the 2% two-year average, price/mix deceleration, or multiple compression toward the \$75.00 bear target. The consensus is counting on delivery. The current price already pays for delivery.

12. KEY BUSINESS DRIVERS

Driver 1: Unit case volume growth

Why it matters: volume is the pure demand read. Without it, growth rests entirely on price, which is not durable.

Current level: Q3 2025 grew 4% or 5% on easier comparisons; the two-year average is 2%.

Bull threshold: sustained 4%+ volume without an easy prior-year compare.

Bear threshold: below the 2% two-year average or negative volume.

Next data point: Q3 2026 earnings, listed as October 20 or 27 in conflicting sources.

Driver 2: Price/mix per case

Why it matters: price/mix funds margin and protects unit economics when volumes stall.

Current level: +4% to +6% in recent quarters; Q3 2025 showed +4%.

Bull threshold: mid-single-digit price/mix with positive volume.

Bear threshold: price/mix decelerates while volume falls; that is price-led growth exhausting itself.

Next data point: Q3 2026 earnings and segment commentary.

Driver 3: Organic revenue growth

Why it matters: strips out currency and refranchising distortions, showing the true business growth.

Current level: +5% Q4 2025, +10% Q1 2026 with six extra days.

Bull threshold: above 6% with volume contribution.

Bear threshold: at or below 4%.

Next data point: Q3 2026 earnings.

Driver 4: Comparable operating margin

Why it matters: confirms operating leverage is real, not accounting-driven.

Current level: 34.9% reported H1 2026, comparable 35.6%; around 32% base in 2025.

Bull threshold: sustained expansion from the ~32% base.

Bear threshold: below 31%, or a reversion toward the 15.6% Q4 2025 reported trough.

Next data point: Q3 2026 earnings.

Driver 5: Free cash flow conversion

Why it matters: validates dividend coverage and real earnings quality.

Current level: 2025 reported FCF \$5.3B or \$11.4B normalized; 2026 guide \$12.4B.

Bull threshold: \$12.4B achieved.

Bear threshold: below \$11.5B.

Next data point: FY2026 8-K and Q3 2026 cash flow statement.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
Consumer Staples Select Sector SPDR	XSPDR	Leads sector sentiment	Bullish if XLP holds above 200-day MA; bearish if XLP breaks below 200-day MA
PepsiCo	PEP	Peer earnings read	Bullish if PEP reports volume growth and margin expansion
US Dollar Index	DXY	FX exposure	Bearish for KO if DXY strengthens; bullish if DXY weakens
10-Year Treasury Yield	US10Y	Dividend competition	Bearish if yields rise sharply; bullish if yields fall

Monitoring rule: If XLP breaks below its 200-day moving average, re-evaluate the KO thesis within five days.

EXIT TRIGGERS

For a current HOLD, the primary trigger is price. If the stock falls to \$74.90 (€66.75) or below, the margin of safety turns positive and the stock becomes a BUY candidate at a 10% discount to \$83.20 fair value. If the stock rises to \$96 or above without a corresponding improvement in volume and FCF, the valuation risk worsens and the stock should remain on the avoid list. If unit case volume falls below 0% for two consecutive quarters while price/mix decelerates below 3%, I would re-examine the bear case. If the dividend payout ratio on FCF exceeds 85%, I would downgrade the dividend sustainability rating. If debt/equity rises above 130%, I would re-test the ADEQUATE solvency rating. If management cuts the dividend, the thesis fails. If the company completes the Costa Coffee divestiture on poor terms or records another material impairment, I would review management's acquisition discipline.

FINAL RECOMMENDATION

RECOMMENDATION: HOLD

Coca-Cola is a high-quality compounder with a durable brand moat and a sustainable dividend, but the current price of \$93.42 (€83.27) provides no margin of safety. The fair value estimate of \$83.20 (€74.16) sits 10.9% below the quote. The base case total return of 7.2% barely clears the hurdle, while the probability-weighted return of 6.0% does not. The bear case preserves nominal capital but delivers essentially zero real return. This is not a 50/50 risk profile, and the business is not in decline, but the valuation already embeds growth the business has not delivered. I would hold cash at 4% and wait for the stock to offer a real discount near \$75 (€67) before buying.

ANALYST NOTES

Key Assumptions:

- Normalized EPS of \$3.20, fair P/E of 26, terminal P/E of 25 in base, 18.5 in bear, 27 in bull.
- Dividend grows 6.0% in base, 2.5% in bear after a 25% cut, 8% in bull.
- FY2026 FCF guidance of \$12.4 billion is achievable.
- Debt/equity of 115.5% is accurate.

Limitations:

- Interest coverage, current ratio, debt maturity schedule, and five-year FCF history are not provided.
- The packet contains conflicting P/E, P/FCF, EV/EBITDA, EPS, and revenue figures from different sources and dates.
- Short interest and days to cover are not provided.
- 2008/2020 recession revenue declines and dividend actions for KO are not provided.
- Consensus targets and analyst counts disagree materially across sources.

Confidence Level: MEDIUM — The quality of the business is clear, but the valuation data and operating metrics contain enough source conflict that the exact fair value and risk scores carry wider error bands than I would like.

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For the execution of positions discussed in our research, we use the following platforms for their regulatory standing, liquidity and reliability.

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Revolut	Multi-currency banking and FX
Interactive Brokers	Institutional-grade brokerage
Vantage	MT4/MT5 execution
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