THE COCA-COLA COMPANY

(as at May 31, 2020)

Business Description:

The Coca-Cola Company engages in the manufacture, market, and sale of non-alcoholic beverages which include sparkling soft drinks, water, enhanced water and sports drinks, juice, dairy and plant-based beverages, tea and coffee and energy drinks. Its brands include Coca-Cola, Diet Coke, Coca-Cola Zero, Fanta, Sprite, Minute Maid, Georgia, Powerade, Del Valle, Schweppes, Aquarius, Minute Maid Pulpy, Dasani, Simply, Glaceau Vitamin Water, Bonaqua, Gold Peak, Fuze Tea, Glaceau Smartwater, and Ice Dew. It operates through the following segments: Eurasia and Africa, Europe, Latin America, North America, Asia Pacific, Bottling Investments and Global Ventures. The company was founded by Asa Griggs Candler in 1886 and is headquartered in Atlanta, GA.

Investment Thesis:

- Strong global brand with diversified revenue across beverage verticals. With a wide portfolio in the beverages space, the company currently holds a #1 global position in sparkling soft drinks, juice, dairy & plant, hydration, tea & coffee; with a #2 position in energy beverages as in 2019. With widely recognized brands in over 200 countries, Coca-Cola is one of the strongest brand within the industry.
- Restructuring efforts that have expanded capabilities and supply chains across multiple geographies. The company has identified a clear opportunity within emerging markets where market share lacks developed markets, and there has been a restructuring effort in order to increase presence there. Through this restructuring effort, net revenues have grown over 3x since 2015 and have grown its core revenue mix as a percentage of net revenues.
- Innovative portfolio products that have shown to resonate with consumers. With Coca-Cola's ability to capture on economies of scale, the company has had more opportunities to focus on innovation and marketing. The innovation pipeline for Coca-Cola is increasing rapidly, seen by a 17% contribution to unit case volume of new products compared to 13% in the previous year. Some of the company's transformational and disruptive products include fiber-infused drinks, Coca-Cola Freestyle dispensaries, and the Arctic Cooler.

Industry Drivers/Trends Food & Beverage Industry:

- Evolving Consumer Tastes As the millennial population grows, there has been a large shift away from "unhealthy" sparkling soft drinks and a large focus on ingredients in these beverages. Coca-Cola has been able to capture on this trend by increasing market shares in energy and hydration drinks such as Vitamin Water, Smart Water, and other "water-based" products.
- Increased Competition from Regional Players A key development in the beverage industry is that there is an increasing amount of regional competitors in emerging markets. This aspect has also been a source of capital

allocation for the company, as they seek to grow market share in these areas.

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- **Taxation/Regulation Considerations** – Another trend in the industry is the regulation and tax considerations moving against the industry. With environmental and health concerns, there has been an increase in sugar tax and a higher regulation on plastic

Competitive Advantages:

- **Economies of Scale** With the global size of Coca-Cola, economies of scale have been achieved and thus large cost reductions can also be recognized.
- **Globally recognized brand** Coca-Cola is such a recognized brand across the world that if there were two similar products, consumer sentiment will shift towards the more recognized and trusted brand.

Competitors:

- Pepsi Co, Inc., Britvic PLC, Red Bull GmbH

Barriers to Entry:

- Asset Heavy Industry Although the barriers to entry for the beverage industry are relatively low, producing beverage products at scale requires a large amount of plant and equipment which will be difficult for new entrants to establish.
- Established Distribution Network Coca-Cola has one of the best distribution networks in the world and is a key part to its success. New entrants within this industry will find it almost impossible to replicate this network and thus find limited success in the beverage industry.

Officers and Directors:

James Quincey, Chairman and Chief Executive Officer; Brian Smith, President and Chief Operations Officer; John Murphy, Executive Vice President and Chief Financial Officer; Lisa Chang, Senior Vice President and Chief People Officer; Robert Long, Senior Vice President and Chief Innovation Officer; Manuel Arroyo, Chief Marketing Officer and Group President, Asia Pacific.

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Financial Summary:

Income Statement (USD millions, years ended December 31st)					
	2015	2016	2017	2018	2019
Revenue	44,294.0	41,863.0	36,212.0	34,300.0	37,266.0
Costs of Goods	(17,396)	(16,622)	(13,721)	(13,067)	(14,619)
EBIT	8,728.0	8,626.0	7,7557,501	9,152	10,086
Net Profit	7,351.0	6,527.0	1,248.0	6,434.0	8,920.0
EPS (Diluted)	1.67	1.49	0.29	1.50	2.07
Dividends per Share	1.32	1.40	1.48	1.56	1.60
Balance Sheet					
Total Assets	89,996.0	87,270.0	87,896.0	83,216.0	86,381.0
Long-Term Debt	28,311.0	29,684.0	31,182.0	25,376.0	28,627.0
Total Equity	25,764.0	23,220.0	18,977.0	19,058.0	21,098.0
Statement of Cash Flow					
Cash Flows from Operations	10,528.0	8,796.0	7,041.0	7,627.0	10,471.0
Cash Flows from Investing	(6,186.0)	(999.0)	(2,312.0)	5,927.0	(3,976.0)
Cash Flows from Financing	(5,113.0)	(6,545.0)	(7,447.0)	(10,347.0)	(9,004.0)
Key Ratios and Figures (%)					
Operating Margin, EBIT	19.7%	20.6%	21.4%	26.7%	27.1%
Return on Invested Capital	16.7%	17.2%	17.6%	19.1%	9.0%

Source: Coca-Cola Company 2019 Annual Report; Wall Street Journal

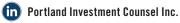
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Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 • Tel:1-888-710-4242 • Fax: 1-866-722-4242 • www.portlandic.com • info@portlandic.com

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