

COCA-COLA COMPANY (NYSE:KO)

Overview

Source: NYSE, Reuters, Coca-Cola Co.

Price as of Jul 09, 2015	\$39.58
Asset Class	Large Value
Sector	Consumer Staples
Industry	Beverage-soft drinks
52-Week High	45.00
52-Week Low	39.06
Beta	0.47
Share Outstanding (mil)	4,358.70
Market Cap. (\$mil)	172,168.70
Dividend	0.33
Dividend Yield (%)	3.34

5-Yr. Historical Growth Rates

Sales (%)	7.86%
EPS (%)	-9.93%
Dividend (%)	8.52%
Long term debt rating by S&P	AA as revised in Apr. 2015

Current Recommendation

UNDERPRICED

Business description

Source: Worldscope

The Coca-Cola Company is a beverage company. The Company owns or licenses and markets more than 500 nonalcoholic beverage brands.

For more details, see page 2.

RATIOS

Source: Reuters

VALUE	KO	Industry
P/E Ratio (TTM)	24.94	41.45
P/E High - Last 5 Yrs.	26.47	38.87
P/E Low - Last 5 Yrs.	13.02	24.06
Beta	0.47	0.22
Price to Sales (TTM)	3.73	1.25
Price to Book (MRQ)	5.97	2.78
Price to Tangible Book (MRQ)	61.86	2.22
Price to Cash Flow (TTM)	19.05	12.96
% Owned Institutions	62.91	5.13

DIVIDENDS

Dividend Yield	3.34	1.47
Dividend Yield - 5 Year Avg	2.28	0.79
Dividend 5 Year Growth Rate	8.27	0.48
Payout Ratio(TTM)	77.44	53.16

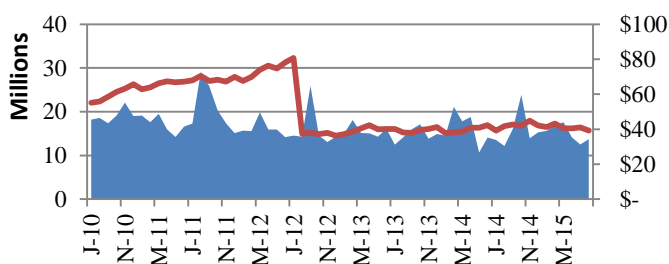
GROWTH RATES

Sales (MRQ) vs Qtr. 1 Yr. Ago	1.28	-0.8
Sales (TTM) vs TTM 1 Yr. Ago	-0.56	4.37
Sales - 5 Yr. Growth Rate	8.22	24.94
EPS (MRQ) vs Qtr. 1 Yr. Ago	-2.92	-184.63
EPS (TTM) vs TTM 1 Yr. Ago	-15.73	--
EPS - 5 Yr. Growth Rate	1.72	3.87
Capital Spending - 5 Yr. Growth Rate	3.84	3.07

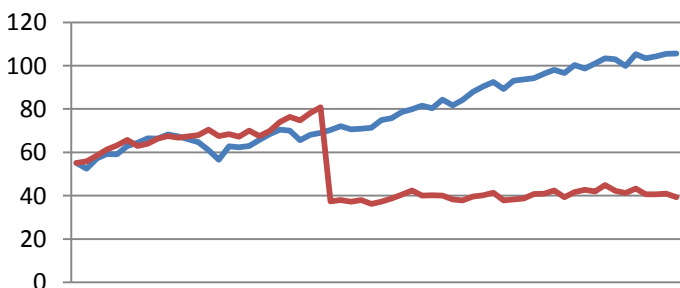
FINANCIAL STRENGTH

Quick Ratio (MRQ)	1.11	1.03
Current Ratio (MRQ)	1.23	1.32
LT Debt to Equity (MRQ)	90.46	46.46
Total Debt to Equity (MRQ)	147.41	61.91
Interest Coverage (TTM)	--	32.46

Coca Cola Price and Volume over 5-Yr.

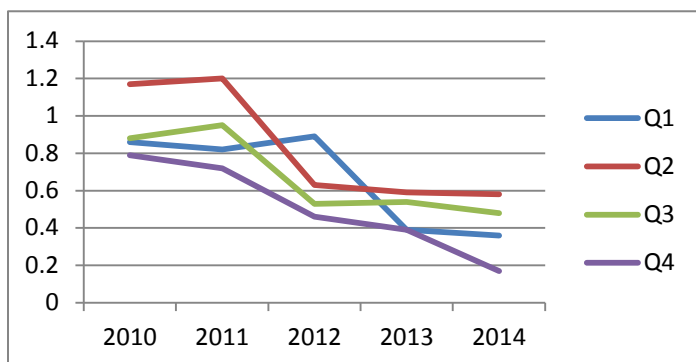


Price performance vs. the S&P 500

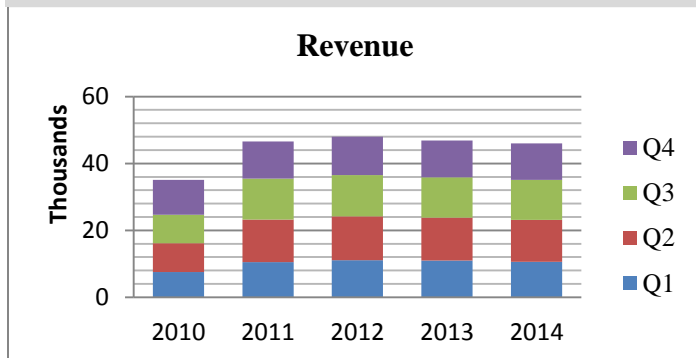


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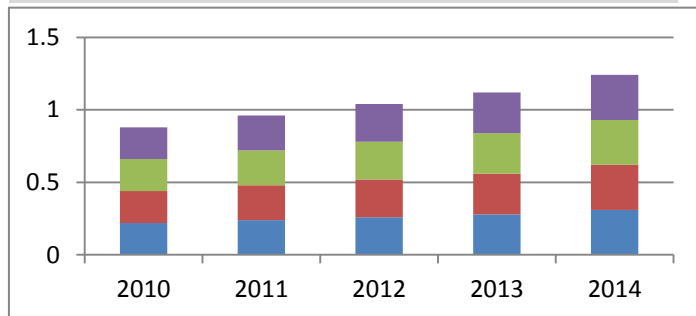
EARNINGS PER SHARE Data source: Coca-Cola Co.



REVENUE Data source: Coca-Cola Co.



DIVIDEND Source: NYSE.



PEER STOCK PRICE

Source: Reuters.

Price as of: Jul 09, 2015

Ticker	Company	Price
NESN.VX	Nestle SA	\$69.15
PEP.N	PepsiCo, Inc.	\$95.64
NYSE: UN	Unilever N.V.	\$41.06
ULVR.L	Unilever plc	\$2,773.5
NASDAQ: MDLZ	Mondelez International Inc.	\$41.41
DANO.PA	Danone SA	€57.93

Business description

Source: Worldscope

The Coca-Cola Company is a beverage company. The Company owns or licenses and markets more than 500 nonalcoholic beverage brands, primarily sparkling beverages but also a variety of still beverages, such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. It owns and markets a range of nonalcoholic sparkling beverage brands, which includes Coca-Cola, Diet Coke, Fanta and Sprite. The Company makes its beverage products available to consumers throughout the world through its network of Company-owned or controlled bottling and distribution operations as well as independent bottling partners, distributors, wholesalers and retailers. The Company's segments include Eurasia and Africa, Europe, Latin America, North America, Asia Pacific, Bottling Investments and Corporate. The Company markets, manufactures and sells beverage concentrates, and finished sparkling and still beverages.

OUTLOOK 2015

Source: Coca-Cola Co.

Full year EPS growth is expected to be the same as 2014.

Income incurs slight headwind due to the appreciation of US dollars against other currencies regardless to hedging method.

The underlying effective annual tax rate of 2015 is estimated to be 22.5%.

Net share repurchases are targeted to be \$2.0 to \$3.0 billion.

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SUMMARY OF QUARTER 1-2015 EARNINGS REPORT

Overview

2015 is viewed as a transition year. Coca Cola is still on the early stage to deliver its new global product strategies which is expected to accelerate growth later on. The management commits to achieve long-term value by combining global brand portfolio and distribution system.

Seasonal pattern for the first quarter of 2015:

- Uptrend in revenue: long holidays increase the consumption of beverage.
- Downtrend in revenue: Expense cost of long-term debts from previous fiscal year.

Litigation effect: new provision in Venezuela is detrimental to Coca Cola revenue as estimated in its last year's outlook.

Currency translation results headwind on income.

Global revenue is slightly moving up in total.

Operation cash flows go up 48 percent due to efficient management of working capital and seasonal patterns regardless to offsetting by unfavorable result of foreign currency adjustments.

Business by regions

Eurasia and Africa: While the revenue growth is positive and expected to remain favorable for the whole year in Africa market, it is bearing high single digit decline in Russian market.

Europe: Unit case sales and concentrate sales¹ are expected to be in line generally for the full year at 1 percent and 5 percent, respectively. Still, positive growth in sales is offset by high input cost and marketing cost combined with headwind effect from exchange rate movement which left income before tax grow negatively. They continue to leverage innovation and diversify product portfolio in European market.

Latin America: Organic revenue growth² is partially offset by higher input cost and increased marketing investments. A new provision imposed on threshold of profit margin enacted in Venezuela since 2014 has unfavorable impact on operating results.

North America: Enjoy a strong growth in net revenue and income before tax. These positive results are expected to be in line for the whole year.

Pacific Asia: Strong growth in Indian market is mostly offset by decline in Chinese and Japanese market leaving a slight growth rate in total.

¹ Concentrate sales represent the whole amount used by or sold in of finished beverage. Meanwhile, unit case represents a unit of measurement of 24 eight-ounce servings of finished beverage.

² Organic revenue is a non GAAP item which excludes or adjusts for the impact of foreign exchange rate and divestitures and acquisition.

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FIVE-YEAR OPERATION RATIOS

Data source: Coca-Cola Co.

PROFITABILITY

	Profit margin	Eff. Tax rate	ROE	ROA	ROCI
2010	0.3371	0.1668	0.3780	0.1623	0.1154
2011	0.1858	0.2454	0.2709	0.1285	0.1512
2012	0.1892	0.2306	0.2739	0.1413	0.1677
2013	0.1841	0.2484	0.2580	0.0958	0.1479
2014	0.1549	0.2360	0.2331	0.0774	0.1428

LIQUIDITY

	Current ratio	Cash ratio	Cash conversion cycle
2010	1.1659	0.4602	-102.9726
2011	0.5272	0.5272	-80.0750
2012	0.3034	0.3034	-69.7335
2013	1.1256	0.3745	-77.9834
2014	1.0189	0.2767	-90.1586

ACTIVITY

	Inventory turnover	Receivables turnover	Payable turnover
2010	5.0731	8.4716	1.6743
2011	6.3445	9.8180	2.0883
2012	5.9953	9.7844	2.1737
2013	5.6325	9.6150	2.0194
2014	5.6105	9.4539	1.8832

SOLVENCY

	Leverage	Interest coverage ratio
2010	2.3285	11.4775
2011	2.1077	24.3957
2012	1.9383	27.1511
2013	2.6930	22.0907
2014	3.0111	20.0994

ANALYST'S OPINIONS

We give Coca-Cola Co. (KO:NYSE) stocks a BUY after considering the firm performance over the last five years, its long-term perspective and comparing with industry performance.

As Coca-Cola Co. is on the first stage of new global product strategies, it is clearly that most of indicators show not very impressive performance over the last two years. While profitability ratios concluded on diminishing return on investment since 2012, Coca-Cola Co. has been experiencing increasing leverage. Nevertheless, its activity has been on the right track with improving cash conversion cycle over years. This is also due to the dominating purchasing power of Coca-Cola Co. over suppliers and leading position in non-alcoholic beverages over the world.

A detailed comparison over the industry indicates Coca-Cola Co. stock to be a blue-chip investment with low beta, stable dividend payments, lower P/E compare with that of industry. However, the new product strategy launching has been detrimental to the firm earnings which worsened KO growth rate than the industry.

In view of long-term investment, KO stocks can be considered as an attractive asset to own for two reasons. Firstly, the new product strategy processed globally is expected to provide high growth rate later on. We also regard this project as an product innovation strategy to its maintain leading position in the industry. Secondly, under market-based approach, KO stock price is currently underestimated as compared with industry. In conclusion, the outlook of Coca-Cola Co. operation together with its currently undervalued price make its stocks appealing to own.

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NEWS HEADLINES

1. July 05, 2015 The Wall Street Journal REPORTS ANALYST OPINION ON COCA COLA STOCKS AS HOLD. This opinion has not changed for 3 months. For more details, 11 analysts recommend a hold while 10 analysts have a bullish view. Currently, market consensus regards Coca Cola stocks as overweight.

July 05, 2015 Nasdaq Community RATES KO AS A BULLISH STOCK WITH 67 PERCENT. All-time rating viewed 82 percent opinions on a buy.

2. June 26, 2015 The Street Ratings RATES COCA-COLA CO. A BUY. “This is driven by some important positives, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its revenue growth, good cash flow from operations, expanding profit margins and notable return on equity. We feel its strengths outweigh the fact that the company has had lackluster performance in the stock itself.”

3. ATLANTA and CORONA, CA., June 12, 2015 – The Coca-Cola Company (NYSE: KO) and Monster Beverage Corporation (NASDAQ: MNST) ANNOUNCED THE CLOSING OF THE PREVIOUSLY ANNOUNCED STRATEGIC PARTNERSHIP. This new partnership relates to an equity investment, business transfers and expanded distribution in the global energy drink category. As a result of the transaction, The Coca-Cola Company now owns an approximate 16.7% stake in Monster. The Coca-Cola Company transferred ownership of its worldwide energy business. Under this long-term agreement, the Coca-Cola Company also has become Monster's preferred global distribution partner with new international distribution commitments already in place with bottlers in Germany and Norway. In connection with the closing, The Coca-Cola Company made a net cash payment of approximately \$2.15 billion to Monster.

4. ATLANTA – June 1, 2015 – The Coca-Cola Company ANNOUNCED IT HAS CLOSED AGREEMENTS WITH TWO NEW BOTTLING PARTNERS for the granting of new distribution territory.

Great Lakes Coca-Cola Distribution, L.L.C., a wholly-owned subsidiary of Reyes Holdings, L.L.C, has officially been granted and formally transitioned territories in the greater Chicago area and Northwest Indiana. Coca-Cola Beverages Florida, a newly formed independent Coca-Cola bottling company, has officially been granted and formally transitioned territories in Central Florida including Tampa/St. Petersburg, Ft. Myers, Ft. Pierce, Lakeland and Sarasota.

5. ATLANTA, April 30, 2015 – The Coca-Cola Company ANNOUNCED ITS BOARD OF DIRECTORS PROMOTED J. Alexander “Sandy” Douglas Jr., currently Senior Vice President and President, Coca-Cola North America to Executive Vice President, and promoted Dr. Ed Hays, currently Vice President and Chief Technical Officer to Senior Vice President. Additionally, it elected two new Vice Presidents – Julie Hamilton, Chief Customer and Commercial Leadership Officer; and Kelly Johnstone, Global Operations Director, Strategic Security. Each of the appointments is effective immediately.

ATLANTA, April 30, 2015 – The Coca-Cola Company DECLARED A REGULAR QUARTERLY DIVIDEND of 33 cents per common share raising 8 percent from 30.5 cent last period. This is equivalent to an annual dividend of \$1.32 per share, up from \$1.22 per share in 2014. The increase reflects the Board's confidence in the Company's long-term cash flow.

6. April 23, 2015 Standard & Poor's Ratings Services REVISED THE 2015 OUTLOOK ON COCA COLA CO. to negative from stable and affirmed all of the ratings on the firm, including the ‘AA’ corporate credit rating. “We believe The Coca-Cola Co.'s (Coke's) credit protection measures during the next 12 to 24 months will remain at the weaker end of our expectations for the rating. We are revising the outlook to negative, reflecting the possibility of a lower rating if the company does not reduce debt and improve cash flow ratios over the next two years, including debt to EBITDA below 2x and funds from operations (FFO) to debt above 45%.”

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This report is part of not-for-profit project belonging to Pragmatic Financial Mates Blog managed by Tran Nguyen and Yen Tran. For more description of our blog, please visit [about](#).

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