Coca-Cola Consolidated (NASDAQ:COKE) Pitch

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Company Profile

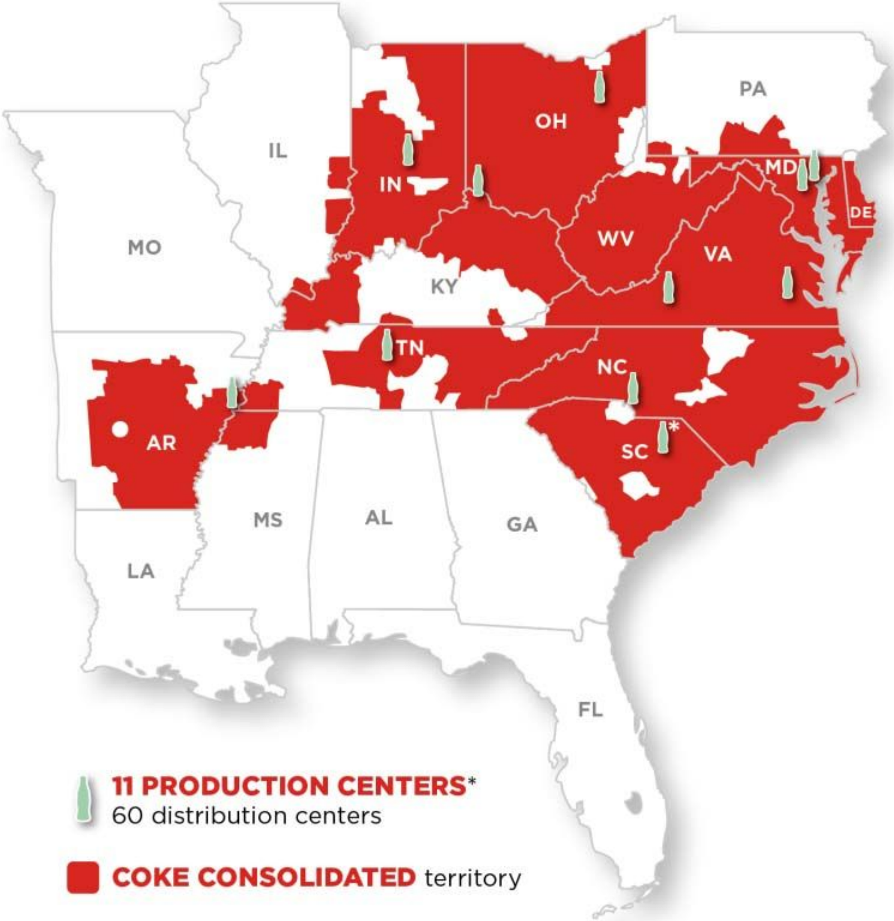
- Parent company is Coca-Cola
  - Coca-Cola Consolidated is the bottling company
- Largest Coca-Cola bottler in the US

Company Business Model

- Purchased the right to sell, create, and distribute Coca Cola and other affiliated brands under a license.
- Purchased the ingredients and bottling rights from Coca Cola.
- Sells and distributes the finished nonalcoholic beverages to customers.

Location

They are only domestic. But they are the largest distributor of coca cola branded products in the U.S.



Economic Environment

The current environment can be characterized as ‘stagflation’, with high unemployment and low real gdp growth. This characterization is expressed through;

- High inflation
- Increased interest rates
- Low consumer spending
- Declining job vacancies
- Decline in Average hourly earnings

Revenue Sources

- Make, sell, and distribute beverages to 60 million customers across 14 different states and DC
- Distributes for KDP and MNST
- Distributed in retail stores, department stores, DTC channels, club stores, supermarkets, vending machines, convenience stores, drug stores, and direct on location sales
- Primary customers are Walmart and Kroger
    - Makes up 24% of their sales

Revenue Sources Contd.

Product category

- **Bottle/can sales**
  - Sparkling beverages
  - Still beverages
- **Other sales**
  - Sales to other Coca-Cola bottlers
  - Post-mix and other

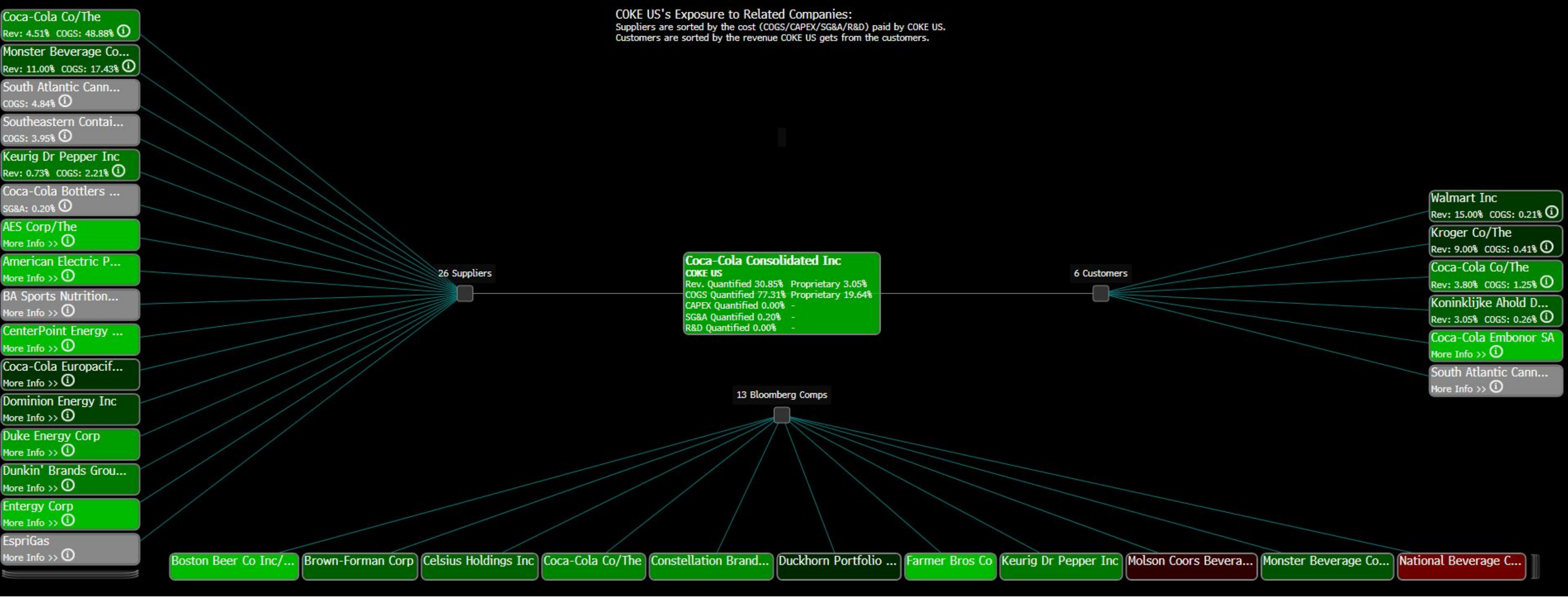
Financial Performance

- Bottle/can segment revenue
  - 17.84 percent average growth for the past 5 years
  - Increased by 9.4 percent from 2020 to 2021
  - 2020/2021 increase due to primarily price increases not physical case sales
  - Case sales increased 2.0 percent from 2020 to 2021
- Other sales revenue
  - 10.60 percent average growth for the past 5 years
  - Increased by 12.5 percent from 2020 to 2021

Comparative Analysis

- Dvd Yld - 0.23%
- Raw Beta - 0.94
- On a majority scale, COKE is outperforming their competitors

	Name (BI Peers)	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operatin... Income Margin	Net Income Growth	Net Prof... Margin	Capex/S... (%)	Return o... Invested Capital	Return o... Assets	Return o... Equity
	Median	9.08%	5.02%	18.76%	15.29%	15.31%	11.63%	3.52%	14.00%	9.98%	16.80%
101)	COCA-COLA CONSOLIDATED INC	10.34%	18.61%	13.92%	10.39%	22.19%	5.94%	2.80%	24.89%	10.15%	45.99%



Walmart Inc: 15% Revenue
Kroger Co/The: 9%
New Partnership with EspriGas on CO2

COKE


Last Price 464.00
High on 06/06/22 635.77
Average 513.946
Low on 10/27/21 391.12
Volume 30483.00


Last Price 139.80
High on 04/21/22 159.87
Average 137.9456
Low on 06/17/22 118.29
Volume 3.057M


Last Price 44.67
High on 04/08/22 61.67
Average 48.3438
Low on 10/27/21 39.48
Volume 2.779M

WMT

KR

Potential Risks

Debt

- Long Term liabilities are not well covered by short term assets
- Has a history of high debt to equity ratio

Dividends

- Low dividend when compared with competitors

Supply Chain

- An efficient supply chain is vital to ensuring profits

Risk contd.

- Domestic supply chain
  - Gas prices and cost of transportation
- Inflation
- Consumer spending and sentiment
  - Low economic activity would greatly impact sales

Management's goal

- The management goal at the moment is to remain profitable and expand factories
  - Cut down expenses
  - Increase price of drinks
- They seem confident about their future
  - EspriGas

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Press Release

EspriGas Announces Strategic Alliance with Coca-Cola Consolidated

Published: Oct. 20, 2022 at 9:00 a.m. ET

Beverage Gas Supply Leader to Continue Commitment to Best-in-Class Customer Service

Management's goal contd.

- **Commercial execution**
  - To successfully obtain and retain shelf space across the portfolio of brands and packages

- **Revenue Management**
  - To maintain pricing power considering the company's brand strength, competitive environment, and market conditions

Management's goal contd.

- **Supply Chain Optimization**
  - Involves the consolidation of distribution and warehousing operations to increase automation, capacity, and reduce overall production costs.

- **Cash Flow Generation**
  - Currently prioritizing debt repayment and focusing on strengthening balance sheet

Covid Crash


DCF US $ 7.09 -0.13 N7.08 /7.10T 5x1
At 14:45 d Vol 66,979 O 7.22N H 7.22N L 7.08D Val 477,146
DCF US Equity
94) Suggested Charts
96) Actions
97) Edit
Line Chart
10/27/2017 - 10/25/2022 Last Px Local CCY Mov Avgs Key Events
1D 3D 1M 6M YTD 1Y 5Y Max Weekly Table
+ Quick-Add Add Data Edit Chart
Track Annotate Zoom
Reset
Covid crash
+0.00%
DCF US Equity - Last Price 7.09
10.00
9.50
9.00
8.50
8.00
7.50
7.09
7.00
6.50
6.00
5.50
Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep
2018
2019
2020
2021
2022

2008 Stock market Crash

They survived

- They had sufficient enough infrastructure to survive a worse economic crash and disturbance to the supply chain and were able to bounce back.
- In their 10-K report, the company stated that they had been improving their supply chain management.
- Even in 2008 they had sufficient infrastructure to rebound.

Summary

- Market leader in the bottling industry
- Stable stock, less volatile than 75% of U.S stocks in the past 3 months
  - Which is a great response to an economic contraction
- Doubled the beverage industry return for the past year
- While trading below industry average PE ratio (29.2x vs 15.7x)
- Return on capital employed has grown to 19% vs 5% 3 years ago

Recommendation

BUY 10 Shares at $468.77 for a total of $4,687.70

As of 10/26/22 4:00p $468.77