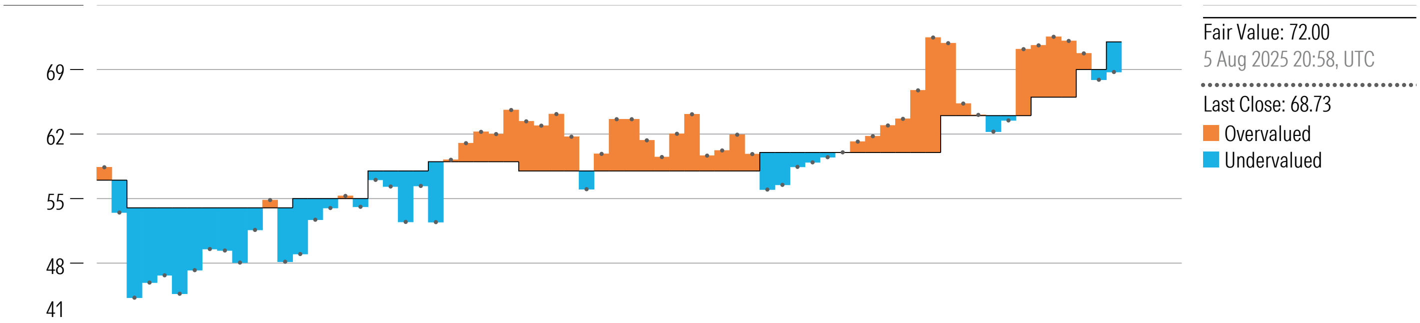
Morningstar Equity Analyst Report | Report as of 27 Aug 2025 16:20, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC. Page 1 of 24

Coca-Cola Co KO ★★★ 26 Aug 2025 21:28, UTC

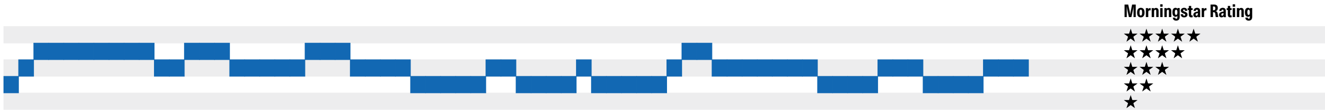
Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
68.73 USD 26 Aug 2025	72.00 USD 5 Aug 2025 20:58, UTC	0.95	295.08 USD Bil 27 Aug 2025	Wide	Large Value	Low	Exemplary	4 Jun 2025 05:00, UTC

Price vs. Fair Value



	2020	2021	2022	2023	2024	YTD	
	1.02	1.00	1.10	0.98	0.97	0.95	Price/Fair Value
	2.04	11.03	10.40	-4.46	8.94	12.03	Total Return %

Morningstar Rating



Total Return % as of 26 Aug 2025. Last Close as of 26 Aug 2025. Fair Value as of 5 Aug 2025 20:58, UTC.

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The primary analyst covering this company does not own its stock.

[1] The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Coca-Cola to Fuel Volume Growth With Innovation and In-Market Execution, Even Amid Macro Challenges

Business Strategy & Outlook Dan Su, CFA, Equity Analyst, 27 Aug 2025

We believe Coca-Cola deserves a wide moat rating. Its brand intangibles and the scale benefits from a massive global system should reinforce its competitive position in nonalcoholic beverages and drive excess returns for more than 20 years.

The firm has prudently executed on its total beverage portfolio, sharpening its focus on the nonsparkling categories (31% of Coke's 2024 volume) to stay top of mind for shoppers in the beverage aisle. For the core carbonated beverages, even amid rising health consciousness among consumers, Coke has maintained strong price increases and healthy volumes leveraging innovation in zero-sugar recipes, natural ingredients, and digital and event-driven marketing to activate and engage consumers across a wide range of occasions.

In addition to nurturing brands in-house (with nonsparkling concepts more than half of the innovation pipeline), Coke has bulked up its presence in categories such as high-end dairy, coffee, and sports drinks with strategic acquisitions of strong brands as such Fairlife, Costa, and BodyArmor, respectively. While we think the Costa deal has not panned out as expected due to covid disruption and a slow progress in leveraging the Costa brand and innovation capabilities to develop ready-to-drink coffee products, the Fairlife acquisition has delivered strong results; the brand crossed the $1 billion mark in

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Sector	Industry
Consumer Defensive	Beverages - Non-Alcoholic

Business Description

Founded in 1886, Atlanta-headquartered Coca-Cola is the world's largest nonalcoholic beverage company, with a strong portfolio of 200 brands covering key categories including carbonated soft drinks, water, sports, energy, juice, and coffee. Together with bottlers and distribution partners, the company sells finished beverage products bearing Coca-Cola and licensed brands through retailers and food-service locations in more than 200 countries and regions globally. Coca-Cola generates around two thirds of its total revenue overseas, with a significant portion from emerging economies in Latin America and Asia-Pacific.

retail sales two years after Coke took full control in 2020 and posted accelerating share gains in retail and out-of-home channels.

However, Coke is not immune to risks. The company is exposed to potential misalignment of economic interests with large bottlers during periods of high-cost inflation, though we expect Coke's brand investments, real-time data analytics, and network services to help smooth the strains for mutual benefits. Health concerns on sugary drinks are headwinds, but we think Coke's "better-for-you" options coupled with an agile market should keep its brands relevant for consumers. Despite the disruptions from e-commerce players and hard discounters, Coke has deftly responded with proactive pack and mix management to bolster its value proposition while investing in digital engagement.

Bulls Say Dan Su, CFA, Equity Analyst, 27 Aug 2025

- Coke can leverage strong bottler relationships in underpenetrated emerging markets to drive volume growth with classic recipes as well as new products tailored to local tastes.
- Heavy investments in a digitalized supply chain and data analytics have better aligned Coke and its bottlers in product planning, manufacturing, and go-to-market strategy.
- As Costa recovers from the pandemic-related disruptions, it should gain a firmer footing in the coffee category and provide more consumer insights given its global footprint.

Bears Say Dan Su, CFA, Equity Analyst, 27 Aug 2025

- Secular headwinds in carbonated soft drink demand in developed markets are a challenge to Coca-Cola's long-term growth outlook.
- The company's brand portfolio and product lineup in nonsparkling categories are less robust, and heavy investments are needed to bolster its competitive position.
- With two-thirds of revenue from international markets, Coke faces constant currency fluctuations that drive volatilities in reported earnings.

Economic Moat Dan Su, CFA, Equity Analyst, 5 Aug 2025

We believe Coca-Cola has built a wide economic moat around its global beverage operations based on strong intangible assets and a significant cost advantage that will enable the company to deliver excess investment returns above its cost of capital over and beyond the next 20 years. We have modeled the company to generate returns on invested capital, or ROICs, including goodwill, that average 40% throughout the duration of our 10-year explicit forecast, comfortably surpassing our estimate of its weighted average cost of capital at 7%.

As the world's best known beverage company, Coca-Cola owns a strong portfolio of storied and iconic brands that resonate with consumers around the world, making its products the beverage of choice on both at-home and away-from-home consumption occasions. The special connection that Coca-Cola cultivates and maintains with generations of consumers has enabled the firm to dominate the

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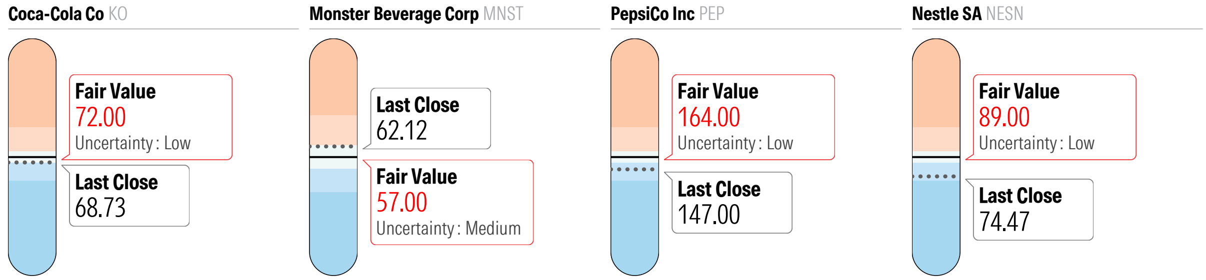
Competitors



	Coca-Cola Co KO	Monster Beverage Corp MNST	PepsiCo Inc PEP	Nestle SA NESN
Economic Moat	Wide	Narrow	Wide	Wide
Currency	USD	USD	USD	CHF
Fair Value	72.00 5 Aug 2025 20:58, UTC	57.00 14 Aug 2025 15:45, UTC	164.00 1 Aug 2025 17:15, UTC	89.00 19 Aug 2025 16:00, UTC
1-Star Price	90.00	76.95	205.00	111.25
5-Star Price	57.60	39.90	131.20	71.20
Assessment	Fairly Valued 26 Aug 2025	Overvalued 26 Aug 2025	Undervalued 26 Aug 2025	Undervalued 27 Aug 2025
Morningstar Rating	★★★26 Aug 2025 21:28, UTC	★★26 Aug 2025 21:28, UTC	★★★★26 Aug 2025 21:28, UTC	★★★★26 Aug 2025 17:30, UTC
Analyst	Dan Su, Equity Analyst	Dan Su, Equity Analyst	Dan Su, Equity Analyst	Diana Radu, Equity Analyst
Capital Allocation	Exemplary	Standard	Exemplary	Standard
Price/Fair Value	0.95	1.09	0.90	0.84
Price/Sales	6.30	7.97	2.20	2.11
Price/Book	10.35	8.43	10.93	6.65
Price/Earning	23.98	38.58	22.27	17.57
Dividend Yield	2.90%	0.00%	3.73%	4.10%
Market Cap	295.79 Bil	60.66 Bil	201.25 Bil	190.77 Bil
52-Week Range	60.62—74.38	45.70—66.75	127.60—179.73	69.90—91.72
Investment Style	Large Value	Mid Growth	Large Value	Large Value

carbonated soft drink, or CSD, category at the core of its business (69% of Coca-Cola's 2024 unit case volume sold). According to Euromonitor data, Coca-Cola commands a convincing lead in the CSD category with a volume share of 43% globally in 2024, 27 percentage points ahead of its main competitor wide-moat PepsiCo (16% share). Other than the flagship Coca-Cola brand, Sprite, Fanta, Diet Coke, and Coke Zero also rank as top-selling CSD brands that enjoy a loyal following. Leveraging Coca-Cola's retail relationship, the company has been able to establish a strong position in adjacent categories as well, such as water, juice, and sports drinks, with brands including Dasani, Minute Maid, and Powerade.

Coca-Cola's brand appeal results in a steady price premium over lesser-known brands that consumers are willing to pay up for, as well as low demand elasticity, thus affording Coca-Cola considerable pricing power. Unlike its lesser competitors, Coca-Cola enjoys the flexibility to pass on cost inflation using a combination of price hikes, pack variation, and channel mix shift, driving price/mix to consistently match or exceed headline inflation across its key markets. Even as the covid-19 lockdowns dealt a heavy blow to on-premises beverage consumption in 2020, overall Coke volume held up (down mid single digits from 2019, while food-service sales saw low- to midteens contraction) as consumers flocked to retailers and online marketplaces to stock up on Coke products for at-home consumption. The less favorable channel mix shift and volume notwithstanding, pricing was resilient at a mild 2% decline, with key markets in the US and Latin America still up in the low-single-digits. The notably low penetration of private-label products (a mere 6% in the US, versus high teens to low-20s across US food and beverage) in the CSD category despite a long history and massive size speaks to the enduring loyalty that Coca-Cola brands enjoy among CSD drinkers. The taste, emotional connection, and conspicuous consumption preferences associated with the Coca-Cola brands provide insulation to potential price erosion from the onslaught of competitively priced private-label products. Suffice it to say, numerous attempts from retailers—especially hard discounters—over the years have barely put a dent in Coca-Cola's ability to set price. Between 2020 and 2024 for instance, the company grew price/mix by an average of 7% while maintaining a volume increase at 2%.

Thanks to the strength and breadth of its brand portfolio, Coca-Cola has been able to attract to its ecosystem bottlers and distribution partners in key regions such as the US, Western Europe, Latin America, and the Asia-Pacific that have good capital, business acumen, and operational expertise. The prospects of solid pricing and volume, as well as an expected high penetration in both retail and food-service channels to ensure density of delivery and attractive returns on distribution logistics investments, are precisely what motivate the bottlers to commit capital to the 10-year renewable partnership with Coca-Cola and take charge of the heavy lifting of manufacturing and distribution. Coca-Cola only owns a sliver of the bottling and distribution capacity on the Coke system following refranchising, but the company aligns its economic interests closely with those of its bottlers with an incidence-based pricing model (whereby Coca-Cola sells concentrates and syrup to dedicated bottlers and in return takes a predetermined but undisclosed slice of the bottlers' revenue of finished beverage products). Through these arrangements, Coca-Cola exerts strong influence over innovation, product rollout, marketing, and the go-to-market strategy of its bottlers that are essential in shaping Coke's tight relationship with the retail channel and food-service providers.

As a CSD category leader, Coke products are indispensable to most retailers including grocers and convenience stores, and a key traffic driver to the beverage aisle, thus earning the Coke assortment favorable shelf allocation and placement. In return, retailers count on Coca-Cola as a strategic partner that not only reliably provides the most sought-after classic and on-trend beverage products to drive high turnover and profit growth, but also shares timely data analytics of broader consumption patterns to facilitate better planning of inventory, shelf space, and promotions in the stores. Similarly, the popularity of Coke's brands cements a dominant share in fountain beverages served at fast food locations, as the time-tested relationship built over decades has delivered commercial success for both sides. In the US, out of the 86,000 locations of the 10 largest fast food chains, 76% serve fountain drinks under the Coca-Cola banner, according to Beverage Digest. As Coca-Cola continues to invest heavily (2024 advertising budget of $5 billion, 11% of sales) behind its brand portfolio to elevate brand affinity and expand brand reach, the enhancement to Coke brands will further reinforce the strategic relationship with retailers and food-service providers, fueling a virtuous cycle.

Coca-Cola's wide economic moat is supported by more than intangible assets. We see a significant cost advantage stemming from scale as another pillar underpinning our favorable view on Coca-Cola's ability to generate economic returns. With a massive sales base of $47 billion in 2024 and an expansive global manufacturing and distribution footprint in the Coke system, Coca-Cola is in a favorable position to wring scale efficiency across the whole supply chain, resulting in a lower cost in manufacturing and distribution that is hard to match by smaller peers. This should give Coke an upper hand in pricing, both for established and new products. In the developed markets such as the US and Western Europe where premiumization is the key growth driver, a lower cost structure allows more investments in differentiation (in ingredients, flavors, packaging) to set Coke products apart from competition while keeping prices competitive. In emerging markets where affordability remains a hurdle for higher Coke product penetration, lower costs give Coca-Cola the room to inch down entry price points to expand its addressable consumer base. In addition, the scale and experience of a well-connected global Coke system should also enable the company to accelerate the commercialization process from budding lab ideas to thoughtful end market products, and to roll out and scale product innovation at a faster pace and a lower cost compared with rivals.

When taken together, with strong pricing power and a durable cost advantage arising from scale, we see Coca-Cola as remaining in an enviable position to extract attractive economic benefits from its own operations and bottler networks. As the management team continues to steer the global beverage giant with agility, discipline, digital savvy enabled with technology, and a sharp focus on investment returns, we expect the company to keep earning excess returns above its cost of capital over the next two decades, in line with our wide economic moat rating.

Fair Value and Profit Drivers Dan Su, CFA, Equity Analyst, 27 Aug 2025

We maintain our $72 per share fair value estimate for Coca-Cola, which implies a 22 times multiple against our adjusted 2026 earnings estimate and a 2026 enterprise value/adjusted EBITDA multiple of 20 times.

Organic sales rose 5% in the second quarter as a 6% price mix more than offset a 1% volume fall. Adjusted operating profits rose 15% as margins expanded 190 basis points to 34.7%. Despite macro, geopolitical, and weather headwinds, Coke delivered organic revenue growth across all major geographies given its focus on healthier recipes, flavor, and packaging innovations, and agile in-market execution. Double-digit volume growth in Coca-Cola Zero Sugar and Fairlife exemplified the lift from the firm's sharpened focus on beverages with low calories and nutritional benefits. Innovation in categories including prebiotic soda, vitamin-infused tea and coffee should fuel volumes as well. Even as Coke prudently invested in affordability to preserve the value proposition of its brands for the longer term, we expect the firm to deliver a mid-single-digit price mix for 2025 on favorable product and channel mix. For 2025, we now forecast sales to grow 3.5% to $48.7 billion and adjusted EPS to rise 3.9% to $2.99

Our mid-single-digit sales CAGR projection over the next 10 years is driven by strong emerging market growth (we forecast Latin America and the Asia-Pacific combined to make up 32% of overall sales by 2034, up from 25% in 2024), expansion in nonsparkling categories (water, sports, and energy drinks), and the Costa business steadily adding on offerings in the on-premises channel and for retail distribution. While increases in price/mix largely drove sales growth during the 2022-24 period as Coca-Cola flexes its pricing muscle amid cost inflation and currency headwinds, we forecast top-line growth to be more balanced between price/mix and volume in 2025 and onward—and see growth settling into the 4%-6% long-term target range set by management, which we believe is appropriate given industry dynamics. Coke has historically augmented organic growth with strategic acquisitions, and we expect the company to continue doing so in the coming years. Given a lack of information about its acquisition pipeline, however, we will refrain from incorporating mergers and acquisitions deals into our financial modeling until we gain better visibility.

On the profitability front, we model operating margins to widen by 110 basis points to 31.2% at the end of our 10-year forecast period, compared with 2024. While we expect limited gross margin expansion after notable gains in recent years, driven by better efficiencies and a favorable mix shift resulting from refranchising, we forecast improved leverage in selling and distribution expenses (19.5% of sales by 2034, versus 20.1% in 2024). We model higher spending in digital marketing and localized content, but expect overall advertising and marketing expense as a percentage of sales to fall slightly to 10.5% by 2034, compared with the 10.9% level in 2024.

Risk and Uncertainty Dan Su, CFA, Equity Analyst, 5 Aug 2025

We assign a Low Morningstar Uncertainty Rating to Coca-Cola. We view long-term bottler alliance as crucial to its business model and return profile, but in periods of high inflation, these relationships could be pressured as the bottlers tend to bear the brunt of cost increases. This is less of an issue in the US where local bottlers are small and have limited bargaining power, but in emerging markets—which hold the key to healthy volume growth—Coca-Cola faces much larger bottlers, such as Arca Continental and Coke Femsa, that are likely in a better position to negotiate.

Nonalcoholic beverage demand tends to be resilient through economic cycles. However, Coke has high exposure to international markets (over two thirds of both revenue and profits) that leads to stepped up volatility within its operations—resulting from shifting macroeconomic and regulatory landscapes, currency fluctuation, and geopolitical risks—compared with domestically focused peers. The international experience of management combined with bottler collaboration globally can help the firm tackle these challenges.

As consumers become increasingly health-conscious, Coke faces the challenge of reducing the health impact of its beverages without compromising on the distinct taste that sits at the core of brand loyalty. Although reformulation and revised recipes have helped slow the exodus of consumers from its sparkling drinks, the secular headwinds remain a risk that the firm will have to contend with in the coming years.

With the ubiquity of smartphones and social media, food and beverage brands are constantly under consumer scrutiny. Any marketing message or business practice that's perceived to be inconsistent with the company's positioning could be brought under the limelight, and without timely and appropriate response, result in temporary or long-term brand damage. That said, we don't see environmental, social, or governance risks to materially affect Coke's operations or investment returns.

Capital Allocation Dan Su, CFA, Equity Analyst, 5 Aug 2025

We assign an Exemplary Capital Allocation Rating for Coca-Cola, based on our view that the company has a sound balance sheet, a good track record of investments for long-term value creation, and an appropriate shareholder distribution practice blending cash dividends and share repurchases.

First, we view Coca-Cola as in good financial health. Its balance sheet is solid, with net debt/adjusted EBITDA at 2 times in 2024, and we expect the metric to stay within a reasonable range longer term. This, coupled with a solid cash position and projected strong cash flows to the firm over the next five years averaging 23% of sales, gives us confidence that the company is well-equipped to weather macroeconomic volatilities and to invest for long-term growth.

On the investment front, with top-line growth stated as the top priority, the company has been astute in channeling resources to fortify its competitive position in the broad ready-to-drink beverage market, driving organic growth with returns-focused marketing and innovation spending, and augmenting its existing portfolio with selective acquisitions. Advertising expenses briefly dipped below $3 billion (8.4% of sales) in 2020 as Coke scaled back activities in anticipation of poor returns given the dine-out demand collapse during the covid-19 lockdowns. They rebounded to $4.3 billion (10% of sales) in 2022, $5 billion (11%) in 2023, and $5.1 billion (11%) in 2024, consistent with prepandemic levels. We expect the company to continue investing roughly 10%-11% of sales on advertising and marketing to bolster its brand prowess and build closer connections with consumers. Innovation is another investment focus, which management has called out as critical to Coke's leadership position. While the exact research budget is undisclosed, the company has articulated its commitment to research and product development spending, with a particular focus on nonsparkling products (currently making up over half of the innovation pipeline), which should help Coca-Cola bulk up its position outside the core sparkling business. Management also stepped up acquisitions in past years, taking full control of fast-growing brands BodyArmor (sports drink) in 2021 and Fairlife (value-added milk) in 2020, with deals valued at $6.6 billion and $1.8 billion respectively. While valuation looks on the high side (4.7 times and 3.7 times sales, respectively) at first glance, management had taken the prudent approach of first establishing a minority position in both targets—a 15% stake in BodyArmor in 2018 and a 42.5% stake in Fairlife in 2012—before pulling the trigger on the full acquisition.

On the shareholder distribution front, Coca-Cola has consistently returned cash to shareholders through cash dividends and share buybacks. Over the next 10 years, we expect dividend payment to grow alongside earnings expansion, with the dividend payout ratio stabilizing in the high-60s, which we view as prudent. Share buybacks have fluctuated from year to year in the past, and we expect the trend to persist in the future. We stick to our view that buybacks create value for shareholders only when executed at market prices below the intrinsic value, and it's not necessary to commit to a fixed target amount.

Analyst Notes Archive

Coca-Cola Earnings: Productivity Gains and Sharper Focus on Marketing Efficiency Lift Margin Outlook Dan Su, CFA,Equity Analyst,22 Jul 2025

Coca-Cola increased organic sales by 5% in the first quarter as a 6% price mix more than offset a 1% volume fall. Adjusted operating profit rose 15% as operating margin expanded 190 basis points to 34.7%. Why it matters: Despite macro, geopolitical, and weather headwinds, Coke delivered organic revenue growth across all major geographies, given its focus on healthier recipes, flavor and packaging innovations, and effective in-market execution. Double-digit volume growth in Coca-Cola Zero Sugar and Fairlife exemplified the lift from the firm's sharpened focus on beverages with low calories and nutritional benefits. Innovation in categories such as prebiotic soda, vitamin-infused tea, and coffee should also fuel volumes. Even as Coke prudently invests in affordability to preserve the value proposition of its brands for the longer term, we expect the firm to deliver a 4% price increase for 2025 on favorable product and channel mix. The bottom line: We plan to raise our $69 per share fair value estimate for wide-moat Coca-Cola by a low-single-digit percentage on slightly better margins and easing foreign currency headwinds. We view shares as fully valued. Despite the volume dip in the June quarter, given weakness in Mexico (macro headwinds) and India (early monsoon and geopolitical conflicts), we see a positive trajectory for 2025 as Coke's innovation slate and consumer engagement initiatives are set to drive a volume rebound in the second half. We attribute first-half margin expansion to efforts on input cost containment and tighter discipline in marketing (in content creation and distribution). Even with commitments to investing in capacity, branding, and channels, we expect the margin outlook to remain favorable in coming quarters.

Coca-Cola Earnings: Innovation and Agile Marketing Buoyed Q1 Sales; Shares Not a Bargain Dan Su, CFA,Equity Analyst,29 Apr 2025

Coca-Cola posted 6% organic sales growth in the first quarter on a 5% price mix increase. Adjusted operating margin widened 140 basis points to 33.8%.Why it matters: Despite a weaker macro backdrop, Coke increased sales across all regions, which we attribute to its focus on zero-sugar recipes, flavor and packaging innovations, and responsive in-market execution.   Coke launched more-affordable fare at attractive price points and refillable bottles, while expanding its distribution in value channels. This helped fuel a 2% rise in unit case volume, led by mid-single-digit increases in emerging Asia, the Middle East, and Africa. Consistent with our view that its localized supply chain should insulate it from trade policy changes, Coke confirmed the tariff impact should prove manageable. The firm held its 2025 outlook for organic sales to grow 5%-6% and adjusted earnings per share to grow 2%-3%. The bottom line: We plan to raise our $66 per share fair value estimate for wide-moat Coca-Cola by a low-single-digit percentage on time value. Shares look fully valued, trading at 24 times 2025 earnings. Our 2025 forecast for sales to grow 2% incorporates currency headwinds of 330 basis points and more-moderate price increases (4%) compared with low-teens annual hikes in the past three years as Coke has refined its affordability focus. Amid geopolitical and macro uncertainties, we view Coke as wise to enhance brand messaging with tailored content to connect with consumers. We forecast Coke to direct 11% of sales to marketing in 2025, up from a five-year average of 10%.   Coming up: We expect Coke's priority on beverages with low calories and nutritional benefits to appeal to health-conscious consumers and fuel volume gains for the longer term. At 30% of total volumes, we expect low- or no-calorie beverages to grow based on recipe innovation and bottler enthusiasm. Its premium dairy, prebiotic soda, and vitamin-infused tea should also gain traction with consumers.

Coca-Cola Earnings: Focus on Consumer-Led Innovation and Agile Marketing to Fuel Volume Expansion Dan Su, CFA,Equity Analyst,11 Feb 2025

Wide-moat Coca-Cola delivered strong 2024 results, including increases of 12% and 7%, respectively, in organic sales and comparable EPS. Notably, global unit case volume expanded 1% for the year despite consumer pullback and geopolitical uncertainties. This resilient performance reaffirmed our investment thesis for Coke that is underpinned by its total beverage portfolio approach, steadfast commitment to product innovations and brand investments, and strong in-market execution. For 2025, we think management's outlook for organic sales growth of 5%-6% looks achievable on a balanced blend of volume and price increases, but we plan to trim our adjusted EPS estimate, before the earnings call, of $3.04 by a low-single-digit percentage to incorporate higher foreign currency headwinds. We don't plan any material changes to our $64 fair value estimate, and we view shares as fully valued.We attribute Coke's 1% volume growth to strong merchandising strategies that ensure full coverage of beverage needs and occasions with relevant brands, pricing, and experiences that resonate with consumers across regions. Not surprisingly, the bulk of volume expansion came from Latin America (up 3%) and

Asia Pacific (up 1%), where wider distribution, affordability tools (including returnable packaging), and digitally enhanced marketing have combined to convert and engage consumers.The 11% rise in price and mix is high, in our view. Even after stripping away the impact from hyperinflationary markets such as Argentina and Turkey, core pricing growth of 6% is higher than Coke's stated low-single-digit long-term target. We expect Coke to closely manage price and mix in 2025, including selectively investing in value offerings to maintain its market share. This, coupled with normalizing inflation in markets such as Argentina and benign commodity price pressure, should place Coke's core price increases on track to moderate toward low to mid-single digits in the coming quarters.

Coca-Cola Earnings: Beverage Volumes Set to Rebound on Innovation and Targeted Marketing Dan Su, CFA,Equity Analyst,23 Oct 2024

Despite headwinds from consumer belt-tightening and geopolitical uncertainties, wide-moat Coca Cola delivered solid third-quarter results, including 9% and 5% growth in organic sales and comparable earnings per share, respectively. The resilient performance reaffirmed our constructive view on Coke's long-term growth outlook underpinned by its total beverage portfolio strategy and unwavering commitment to product innovation and brand investment. We plan to maintain our 2024 sales and adjusted EPS forecasts of $46 billion and $2.86, respectively, which align with management's outlook, and our 10-year forecasts for mid-single-digit annual sales growth and low 30s operating margins. We maintain our $64 fair value estimate, and shares look fully valued.For the quarter, volumes dipped 1% on soft demand in China, Mexico, and Turkey, but Coke still outperformed wide-moat PepsiCo (with beverage volume down 2%) thanks to solid volume trends and market share gains in the US and Europe. We attribute Coke's strength in these markets to consumer-centric innovations and digitally enhanced marketing programs reinforcing the differentiated experiences associated with Coke's diverse portfolio. In particular, concerted efforts to provide healthier beverages resonated with consumers, driving volumes of Coca-Cola Zero Sugar up 11%. We expect similar initiatives, implemented in collaboration with bottlers in Latin America and Asia, to help restore volume growth in the regions.The 10% price-mix rise looked high, but once we strip away impacts from hyperinflationary markets, core pricing growth of 6% was consistent with our mid-single-digit expectation that we view as reasonable to preserve Coke's value standing. Pricing in the quarter also benefited from a favorable volume mix from developed markets where Coke product prices are higher than global averages. As emerging market volumes rebound and hyperinflationary pressure eases, we expect Coke's core pricing to normalize to 4% in 2025.

Coca-Cola: Ruling of $6 Billion Tax Liabilities To Be Appealed; Fair Value Estimate Maintained Dan Su, CFA,Equity Analyst,2 Aug 2024

Wide-moat Coca-Cola issued a statement on Aug. 2 confirming that the US Tax Court has ruled to support the position of the US Internal Revenue Service that the beverage giant owes $2.7 billion in taxes ($6 billion including interests) relating to the 2007-09 period. However, the market appeared unfazed, with shares up 1% in trading. We think the absence of material price movements on the news is at least partly due to Coke's detailed disclosure regarding the ongoing tax case in recent filings that eased investor angst. We also think that the market appears to side with Coke's own assessment of the tax situation, with the firm's tax reserve related to the dispute at a more modest $450 million.We are maintaining our $60 per share fair value estimate, as we plan to hold off incorporating the disputed tax liabilities into our model, given Coke's decision to appeal, and limited visibility on this process and the eventual outcome. Shares look moderately overvalued.   The long-standing tax dispute with the IRS began in 2015 when it notified Coke of tax liabilities associated with foreign income for the 2007-09 period. At the center of the dispute was the categorization of payments from Coke's international bottlers for tax purposes. The IRS viewed those as royalty income, but Coke contended that the payments were dividends paid by bottlers given Coke's minority stakes, based on a previous agreement between the firm and the tax authority.While we think Coke has a strong case, we have already incorporated higher taxes for future international income in light of the global minimum tax (15%) and a likely scenario that the IRS will implement new methodology for payments from Coke's bottlers. As such, our tax rate assumption for the 10-year forecast period is 21%, versus the 18.7% average in the past five years since Coke refranchised most of its bottlers.

Coca-Cola Earnings: Consumer-Led Innovation and Digital Engagement Fuel Revenue Expansion Dan Su, CFA,Equity Analyst,23 Jul 2024

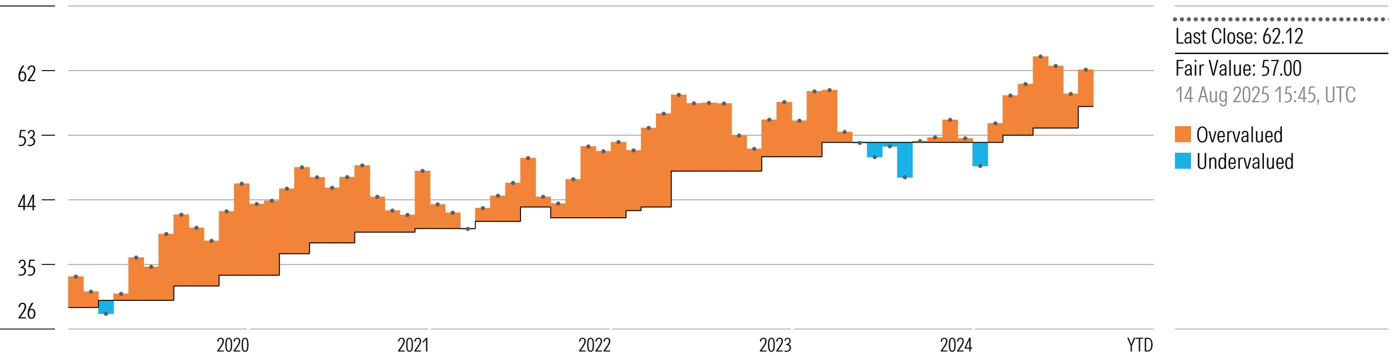
We plan to raise our $60 per share fair value estimate for wide-moat Coca-Cola by a low-single-digit percentage after digesting its strong second-quarter results and updated outlook. However, we view the stock as fully valued even after the planned increase in intrinsic valuation. Organic sales rose 15%, led by innovations, digital initiatives, and deft in-market executions, and adjusted earnings per share were up 7%. This was with a softer consumer backdrop in the US and continued instability and macro challenges across Europe, Latin America, and Asia. Coke remains poised to fuel volume and pricing growth, aided by its total beverage portfolio approach, steadfast investments in product innovation, and brand marketing. We plan to tick up our 2024 sales and adjusted EPS estimates by low-single-digit percentages to align with management's raised guidance, while our 10-year projection for mid-single-digit sales growth and a low-30s average operating margin remains in place.For the quarter, volume rose 2% despite a 9% price increase. We attribute the resilient volume trends to Coke's consumer-centric innovations (zero-sugar recipes, reformulated Fanta and Sprite, returnable bottles), coupled with customer activation and engagement programs (including digital engagements) touting the differentiated experiences associated with its wide-ranging beverage portfolio and packaging innovation. These efforts have mitigated volume headwinds from softer demand in away-from-home channels in the US and a proactive pruning of unprofitable water brands in China. Pricing looks elevated at first glance, but after we strip away impacts from hyperinflation (notably in Argentina) and a higher sales mix from vertically integrated businesses, where the company controls stages of the supply chain. Core price increases in most markets are in the mid-single-digit range. We view this as a reasonable level to help Coke protect its value proposition as cost pressure continues to ease.

Morningstar Equity Analyst Report | Report as of 27 Aug 2025 16:20, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC.

Coca-Cola Co KO ★★★ 26 Aug 2025 21:28, UTC

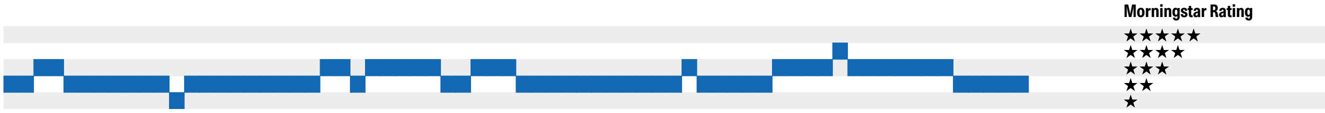
Competitors Price vs. Fair Value

Monster Beverage Corp MNST



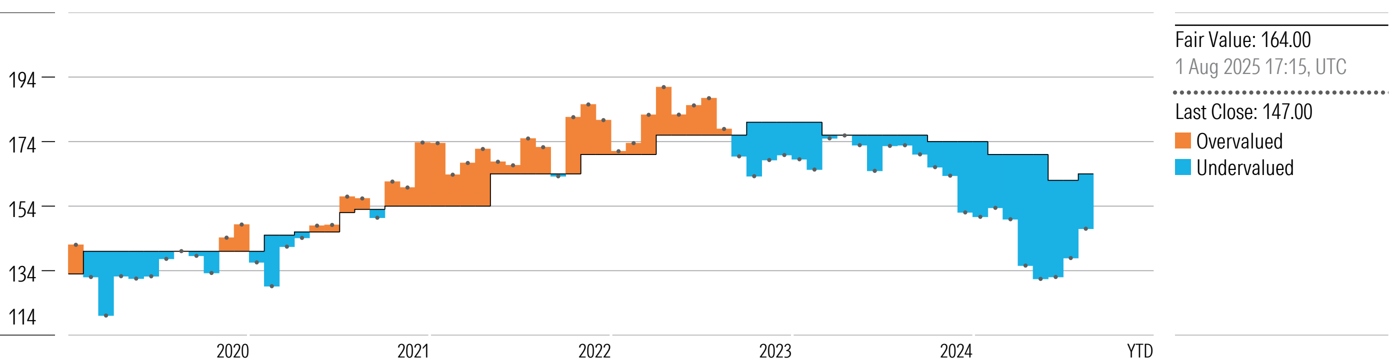
	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.38	1.20	1.22	1.15	1.01	1.09
Total Return %	45.52	3.85	5.72	13.48	-8.77	18.19

Morningstar Rating



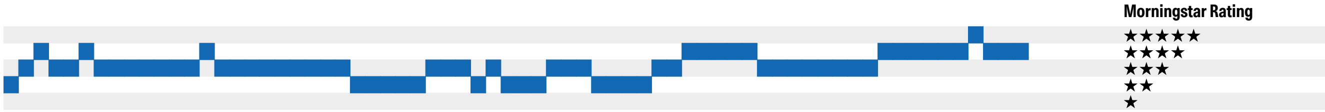
Total Return % as of 26 Aug 2025. Last Close as of 26 Aug 2025. Fair Value as of 14 Aug 2025 15:45, UTC.

PepsiCo Inc PEP



	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.06	1.13	1.06	0.94	0.87	0.90
Total Return %	11.45	20.00	6.61	-3.25	-7.33	-1.50

Morningstar Rating



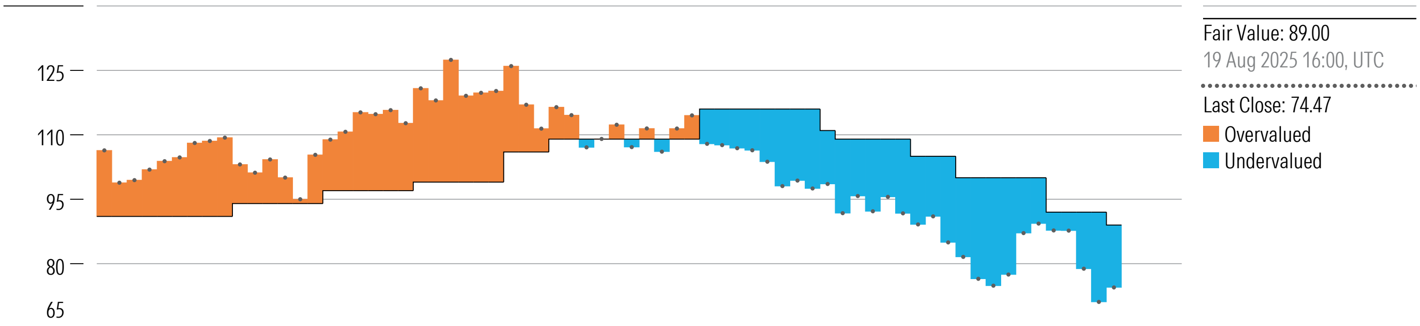
Total Return % as of 26 Aug 2025. Last Close as of 26 Aug 2025. Fair Value as of 1 Aug 2025 17:15, UTC.

Morningstar Equity Analyst Report | Report as of 27 Aug 2025 16:20, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC.

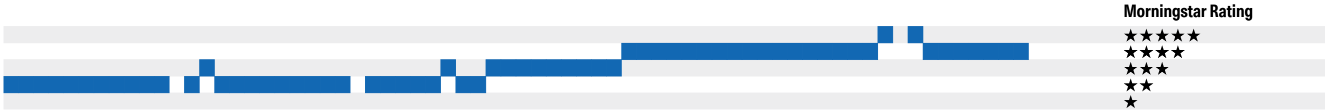
Coca-Cola Co KO ★★★ 26 Aug 2025 21:28, UTC

Competitors Price vs. Fair Value

Nestle SA NESN



	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.11	1.29	0.98	0.84	0.75	0.84
Total Return %	2.08	24.87	-13.73	-6.23	-20.13	3.53



Total Return % as of 26 Aug 2025. Last Close as of 26 Aug 2025. Fair Value as of 19 Aug 2025 16:00, UTC.

Morningstar Equity Analyst Report | Report as of 27 Aug 2025 16:20, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC. Page 15 of 24

Coca-Cola Co KO ★★★ 26 Aug 2025 21:28, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
68.73 USD 26 Aug 2025	72.00 USD 5 Aug 2025 20:58, UTC	0.95	295.08 USD Bil 27 Aug 2025	Wide	Large Value	Low	Exemplary	4 Jun 2025 05:00, UTC

Morningstar Valuation Model Summary

Financials as of 27 Aug 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Revenue (USD Mil)	43,004	45,754	47,061	48,705	51,105	53,850	56,749	59,739
Operating Income (USD Mil)	12,124	13,262	14,155	14,489	15,306	16,235	17,251	18,280
EBITDA (USD Mil)	12,169	12,439	11,067	15,660	16,579	17,625	18,766	19,928
Adjusted EBITDA (USD Mil)	13,384	14,390	15,230	16,660	17,579	18,625	19,766	20,928
Net Income (USD Mil)	9,542	10,714	10,667	12,910	13,628	14,439	15,322	16,218
Adjusted Net Income (USD Mil)	10,792	11,664	12,447	13,045	13,838	14,684	15,579	16,489
Free Cash Flow To The Firm (USD Mil)	11,231	10,893	21,561	10,852	11,579	13,079	13,825	15,063
Weighted Average Diluted Shares Outstanding (Mil)	4,350	4,339	4,320	4,313	4,298	4,279	4,251	4,219
Earnings Per Share (Diluted) (USD)	2.19	2.47	2.46	2.99	3.17	3.37	3.60	3.84
Adjusted Earnings Per Share (Diluted) (USD)	2.48	2.69	2.88	3.02	3.22	3.43	3.66	3.91
Dividends Per Share (USD)	1.76	1.84	1.94	2.01	2.17	2.33	2.49	2.65

Margins & Returns as of 27 Aug 2025		Actual			Forecast					
	3 Year Avg	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**5 Year Avg**
Operating Margin %	23.8	28.2	29.0	30.1	29.8	30.0	30.2	30.4	30.6	30.2
EBITDA Margin %	—	28.3	27.2	23.5	32.2	32.4	32.7	33.1	33.4	—
Adjusted EBITDA Margin %	—	31.1	31.5	32.4	34.2	34.4	34.6	34.8	35.0	34.6
Net Margin %	22.8	22.2	23.4	22.7	26.5	26.7	26.8	27.0	27.2	26.8
Adjusted Net Margin %	25.7	25.1	25.5	26.5	26.8	27.1	27.3	27.5	27.6	27.2
Free Cash Flow To The Firm Margin %	31.9	26.1	23.8	45.8	22.3	22.7	24.3	24.4	25.2	23.8

Growth & Ratios as of 27 Aug 2025		Actual			Forecast					
	3 Year CAGR	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**5 Year CAGR**
Revenue Growth %	6.8	11.3	6.4	2.9	3.5	4.9	5.4	5.4	5.3	4.9
Operating Income Growth %	8.3	8.7	9.4	6.7	2.4	5.6	6.1	6.3	6.0	5.3
EBITDA Growth %	-1.8	3.5	2.2	-11.0	41.5	5.9	6.3	6.5	6.2	13.3
Adjusted EBITDA Growth %	6.5	6.2	7.5	5.8	9.4	5.5	5.9	6.1	5.9	6.6
Earnings Per Share Growth %	3.0	-2.6	12.6	-0.4	21.7	5.9	6.4	6.8	6.7	9.3
Adjusted Earnings Per Share Growth %	3.0	6.9	8.4	7.2	5.0	6.4	6.6	6.8	6.6	9.3

Valuation as of 27 Aug 2025	Actual			Forecast				
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Price/Earning	25.6	21.9	21.6	22.8	21.3	20.0	18.8	17.6
Price/Sales	6.4	5.6	5.7	6.1	5.8	5.5	5.2	5.0
Price/Book	11.5	9.9	10.8	10.5	9.4	8.7	8.1	7.6
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	22.5	19.4	19.4	19.9	18.8	17.8	16.7	15.8
EV/EBIT	24.9	21.1	20.9	22.8	21.6	20.4	19.2	18.1
Dividend Yield %	2.8	3.1	3.1	2.9	3.2	3.4	3.6	3.9
Dividend Payout %	70.9	68.5	67.3	66.5	67.4	67.9	67.9	67.8
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 27 Aug 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
ROA %	10.3	11.0	10.6	12.5	12.8	13.1	13.5	13.9
ROE %	37.0	39.0	40.5	43.5	41.3	40.7	40.5	40.7
ROIC %	24.3	27.4	32.1	35.1	35.3	36.2	37.5	38.9

Morningstar Equity Analyst Report | Report as of 27 Aug 2025 16:20, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC. Page 16 of 24

Coca-Cola Co KO ★★★ 26 Aug 2025 21:28, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
68.73 USD 26 Aug 2025	72.00 USD 5 Aug 2025 20:58, UTC	0.95	295.08 USD Bil 27 Aug 2025	Wide	Large Value	Low	Exemplary	4 Jun 2025 05:00, UTC

Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Debt/Capital %	12.5	14.2	14.2	12.3	11.7	11.3	11.0	10.6
Assets/Equity	3.6	3.6	3.8	3.5	3.2	3.1	3.0	2.9
Net Debt/EBITDA	2.3	2.3	2.7	1.9	1.7	1.6	1.4	1.3
Total Debt/EBITDA	2.9	2.9	2.9	2.6	2.5	2.3	2.2	2.1
EBITDA/ Net Interest Expense	-17.2	-8.8	-4.9	-9.1	-9.2	-9.2	-9.3	-9.4

Forecast Revisions as of 27 Aug 2025	2025		2026		2027	
Prior data as of 5 Aug 2025	**Current**	**Prior**	**Current**	**Prior**	**Current**	**Prior**
Fair Value Estimate Change (Trading Currency)	72.00	72.35	—	—	—	—
Revenue (USD Mil)	48,705	48,705	51,105	51,105	53,850	53,850
Operating Income (USD Mil)	14,489	14,489	15,306	15,306	16,235	16,235
EBITDA (USD Mil)	16,660	16,660	17,579	17,579	18,625	18,625
Net Income (USD Mil)	13,045	12,910	13,838	13,628	14,684	14,439
Earnings Per Share (Diluted) (USD)	2.99	2.99	3.17	3.17	3.37	3.37
Adjusted Earnings Per Share (Diluted) (USD)	3.02	2.99	3.22	3.17	3.43	3.37
Dividends Per Share (USD)	2.01	2.01	2.17	2.17	2.33	2.33

Key Valuation Drivers as of 27 Aug 2025	
Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.3
Weighted Average Cost of Capital %	6.8
Long-Run Tax Rate %	21.0
Stage II EBI Growth Rate %	5.1
Stage II Investment Rate %	11.0
Perpetuity Year	20

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 27 Aug 2025	**USD Mil**
Present Value Stage I	105,101
Present Value Stage II	85,709
Present Value Stage III	139,687
Total Firm Value	**330,497**
Cash and Equivalents	14,571
Debt	44,522
Other Adjustments	-274
Equity Value	**300,272**
Projected Diluted Shares	4,305
Fair Value per Share (USD)	**72.00**

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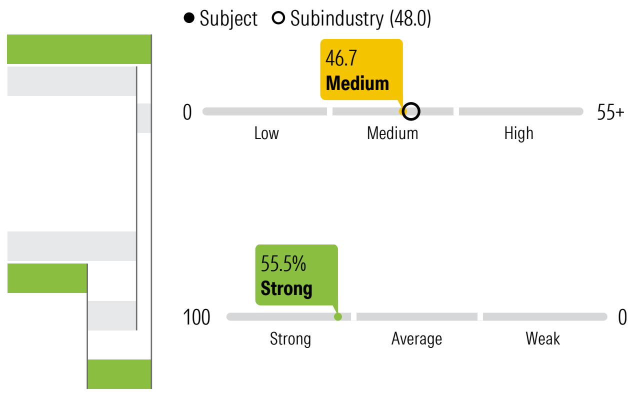
Coca-Cola Co KO ★★★ 26 Aug 2025 21:28, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
68.73 USD 26 Aug 2025	72.00 USD 5 Aug 2025 20:58, UTC	0.95	295.08 USD Bil 27 Aug 2025	Wide	Large Value	Low	Exemplary	4 Jun 2025 05:00, UTC

ESG Risk Rating Breakdown

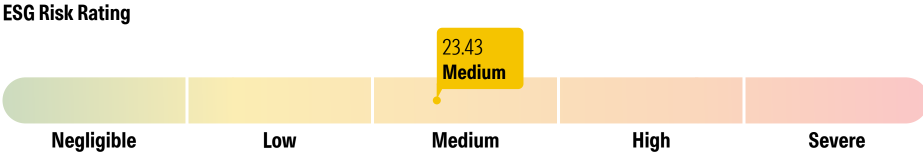
Exposure	
Company Exposure[1]	46.7
– Manageable Risk	41.9
Unmanageable Risk[2]	**4.8**
Management	
Manageable Risk	41.9
– Managed Risk[3]	23.2
Management Gap[4]	**18.6**
Overall Unmanaged Risk	**23.4**



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 55.5% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]

ESG Risk Rating is of Jun 04, 2025. Highest Controversy Level is as of Aug 08, 2025. Sustainalytics Subindustry: Soft Drinks. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 04 Jun 2025

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure		Management		ESG Risk Rating	
Coca-Cola Co	46.7 | Medium	0 – 55+	55.5 | Strong	100 – 0	23.4 | Medium	0 – 40+
Monster Beverage Corp	43.7 | Medium	0 – 55+	37.4 | Average	100 – 0	29.0 | Medium	0 – 40+
Nestle SA	52.9 | Medium	0 – 55+	58.8 | Strong	100 – 0	24.3 | Medium	0 – 40+
PepsiCo Inc	54.3 | Medium	0 – 55+	68.8 | Strong	100 – 0	19.9 | Low	0 – 40+
Keurig Dr Pepper Inc	48.5 | Medium	0 – 55+	56.4 | Strong	100 – 0	23.9 | Medium	0 – 40+

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Appendix
Historical Morningstar Rating

Coca-Cola Co KO 26 Aug 2025 21:28, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	★★★	★★★	★★★	★★	★★	★★	★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★	★★	★★	★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★★	★★★★	★★★	★★	★★	★★	★★	★★	★★★	★★	★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★	★★★	★★★	★★	★★	★★	★★	★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★★	★★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★

Monster Beverage Corp MNST 26 Aug 2025 21:28, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	★★	★★	★★	★★	★★	★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★★	★★★	★★★★	★★★	★★★	★★★	★★★	★★	★★	★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★	★★	★★★	★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★	★★★	★★★	★★★	★★	★★	★★★	★★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★	★★	★★	★★	★★	★★	★★	★★	★★★	★★★	★★	★★

PepsiCo Inc PEP 26 Aug 2025 21:28, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	★★★★	★★★★	★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★	★★★★	★★★★	★★★	★★★	★★	★★	★★	★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★	★★	★★★	★★	★★★	★★★	★★★	★★	★★	★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★	★★★	★★★★	★★★	★★

Morningstar Equity Analyst Report | Report as of 27 Aug 2025 16:20, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC.

Dec 2025 —	Nov 2025 —	Oct 2025 —	Sep 2025 —	Aug 2025 ★★★★	Jul 2025 ★★★★	Jun 2025 ★★★★	May 2025 ★★★★	Apr 2025 ★★★★	Mar 2025 ★★★★	Feb 2025 ★★★★	Jan 2025 ★★★★★
Dec 2024 —	Nov 2024 ★★★★★	Oct 2024 ★★★★	Sep 2024 ★★★★	Aug 2024 ★★★★	Jul 2024 ★★★★	Jun 2024 ★★★★	May 2024 ★★★★	Apr 2024 ★★★★	Mar 2024 ★★★★	Feb 2024 ★★★★	Jan 2024 ★★★★
Dec 2023 ★★★★	Nov 2023 ★★★★	Oct 2023 ★★★★	Sep 2023 ★★★★	Aug 2023 ★★★★	Jul 2023 ★★★★	Jun 2023 ★★★★	May 2023 ★★★	Apr 2023 ★★★	Mar 2023 ★★★	Feb 2023 ★★★	Jan 2023 ★★★
Dec 2022 ★★★	Nov 2022 ★★★	Oct 2022 ★★★	Sep 2022 ★★★	Aug 2022 ★★	Jul 2022 ★★	Jun 2022 ★★★	May 2022 ★★	Apr 2022 ★★	Mar 2022 ★★	Feb 2022 ★★	Jan 2022 ★★
Dec 2021 —	Nov 2021 ★★	Oct 2021 ★★	Sep 2021 ★★	Aug 2021 ★★	Jul 2021 ★★	Jun 2021 ★★	May 2021 ★★	Apr 2021 ★★	Mar 2021 ★★	Feb 2021 ★★★	Jan 2021 ★★
Dec 2020 —	Nov 2020 ★★	Oct 2020 ★★	Sep 2020 ★★	Aug 2020 ★★	Jul 2020 ★★	Jun 2020 ★★	May 2020 ★★	Apr 2020 ★★	Mar 2020 ★★	Feb 2020 ★★	Jan 2020 ★★

Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

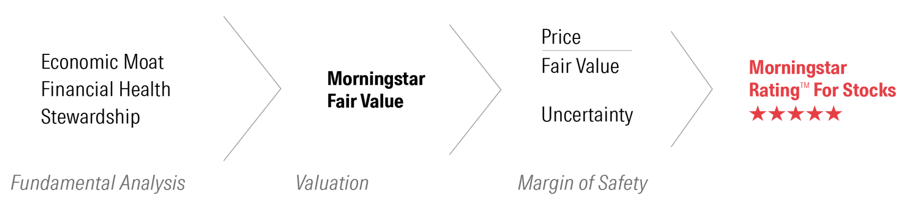
Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology



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outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

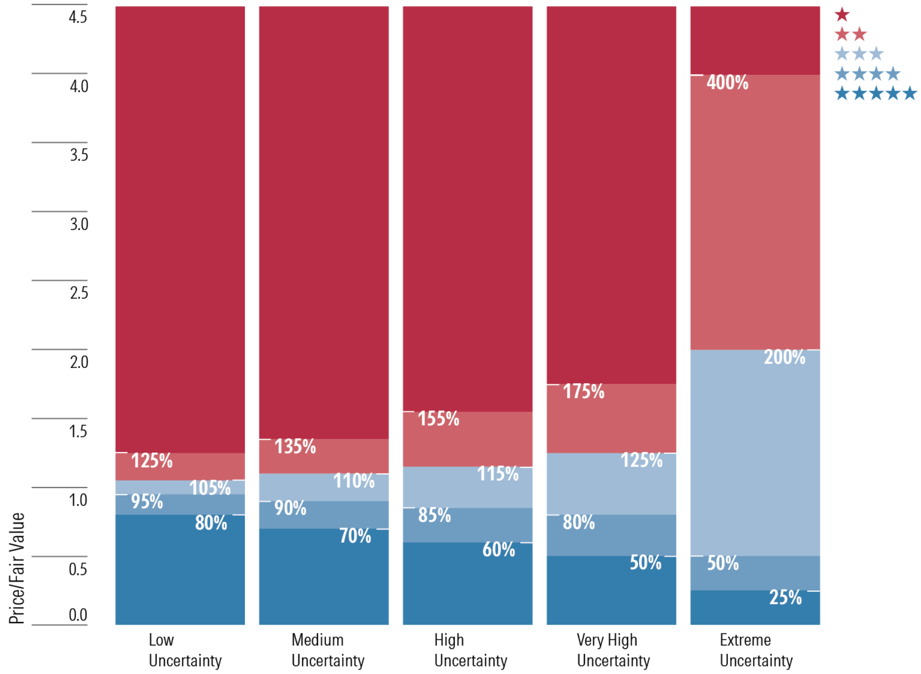
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multi-year time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

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and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

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Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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